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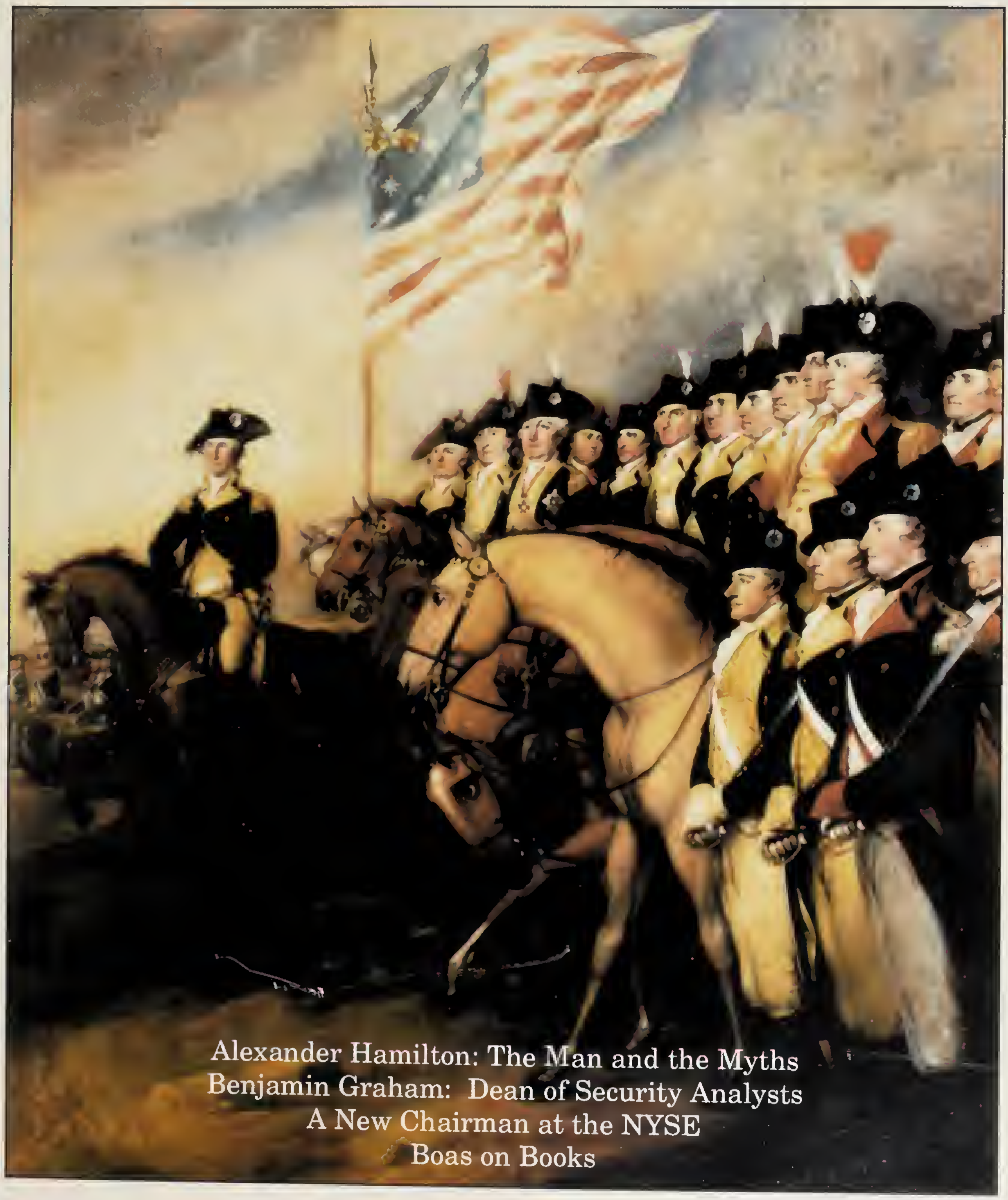

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FRIENDS OF FINANCIAL HISTORY

THE COVER: Surrender of Cornwallis at Yorktown, by John Trumbull, oil-on-canvas (detail), ca. 1797.
Courtesy of Architect of the Capitol.
Hamilton, under the command of General Washington, stands directly to the right of the white horse.

FRIENDS OF FINANCIAL HISTORY
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"ALEXANDER HAMILTON: THE MAN AND THE MYTHS"*

PART II

By Joanne B. Freeman

Within Hamilton's lifetime, many of his opponents made great efforts to invent highly unflattering stories about him. Even some well-meaning friends, lacking knowledge about parts of Hamilton's life, contributed to the many myths that exist about him. Over the years, as Thomas Jefferson has grown to become America's god of democracy, Alexander Hamilton, Jefferson's political opponent, has been cast in the role of the "villain," a man without scruples, an elitist who hated "the people." Hamilton's tendency to try too hard, say too much, and push too far alienated many, making these myths more believable. But buried beneath the legends and stories lies the real Alexander Hamilton.

The first myth concerns Hamilton's birth. Hamilton's childhood invites myth, because we know very little about it; Hamilton himself almost never referred to it. Myths contend that Hamilton was black, or Jewish, or the illegitimate son of George Washington.

None of these suggestions is true. Myths about Hamilton being black or Jewish stem from confusion surrounding Hamilton's mother. Rachel Faucette was an independent, strong-willed woman, born to French Huguenot parents who had fled France to settle in the West Indies. Her birth in the West Indies leads many to assume that she was black, although she wasn't. She was married at a young age to a man named Levine, who was probably Jewish. (This is at the heart of Hamilton's supposed Jewish background.) Levine mistreated Rachel; he had her imprisoned for whoring (although we have no clue as to whether Rachel was indeed guilty of the crime.) When she was released, she fled Levine, moved to another island, and soon met James Hamilton, the fourth son of a Scottish lord. He had come to the West Indies to make his fortune in trade. Rachel and James lived together for many years in increasing poverty. On one rare occasion, Hamilton describes his father as being somewhat lazy; he failed miserably in his attempts at business. Rachel and James had two sons, James and Alexander; they may even have considered themselves legally married. However, in the years following Rachel's flight from her husband Levine, he had obtained a conditional divorce that prohibited Rachel from remarrying. So, if she had married James Hamilton, it was not binding. If she hadn't, the result was the same. Their two children, James and Alexander Hamilton, were illegitimate. The elder James Hamilton later abandoned his family for unknown reasons, and Rachel died shortly thereafter. Rachel's meager belongings were claimed by the son of her first husband, Levine, and the two boys were left with nothing. It is no wonder that Hamilton was silent about his origins.

Regarding George Washington's supposed parentage of Hamilton, this stems from Washington's presence in the West Indies in the period that Hamilton was born. Washington, however, was never in the part of the West Indies where Rachel lived. This myth probably gained popularity because it explained, in some people's minds, why George Washington thought so much of the supposedly corrupt, self-serving Hamilton; Hamilton was, after all, Washington's son. Others might have looked wistfully toward this myth as a means of endowing Hamilton with a "great man" for a father.

Although Hamilton almost never referred to his childhood or family during his lifetime, some few facts about his origins did become common knowledge, much to his humiliation. By the mid-1790's, when the Jefferson/Hamilton political struggle was at its height, Jeffersonian newspapers were full of descriptions of Hamilton as a bastard, and repeated highly unflattering comments about his mother. John Adams, who grew to detest Hamilton, often referred to him as "the creole bastard" or the "bastard brat of a Scots peddler." It is this truth - the memory of his youth spent in relative poverty, and the knowledge of his illegitimacy - that made Hamilton so sensitive about his status as a gentleman and led him to crave acceptance by high society.

Myth number two once again involves George Washington, who was perhaps the most significant figure in Hamilton's life. During Hamilton's life and after, stories circulated that Hamilton had palmed himself off on Washington, flattering his way into Washington's military family, but that Washington soon grew tired of the young man and threw him out of his military family in frustration. This myth stems from Hamilton's notorious fight with General Washington. During the Revolutionary War, Hamilton became extremely frustrated with Washington. After repeatedly asking Washington for a command over the course of a year, and repeatedly being turned down, Hamilton grew frustrated and insulted at not getting what he felt he deserved. One day, Hamilton was on his way to deliver a dispatch. Washington, meeting him on the stairs, told Hamilton he needed to see him immediately. Hamilton assured Washington that he would be right there, continued down the stairs, handed the dispatch to another aide with his instructions, and was then accosted by the ever-earnest Marquis de Lafayette. Lafayette burst into a stream of conversation,

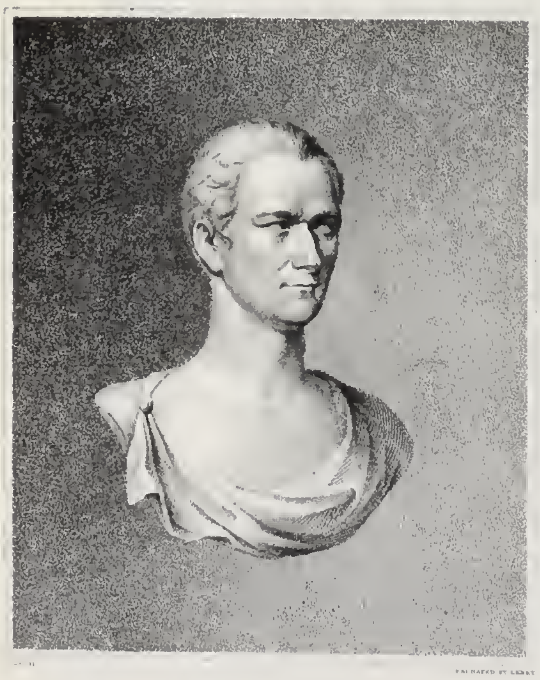
which Hamilton later said he interrupted almost rudely, so he could return to Washington. Turning from Lafayette, Hamilton found Washington glowering at him from the top of the stairs. Washington reprimanded Hamilton, saying, "Col. Hamilton, you have kept me waiting at the head of these stairs these ten minutes. I must tell you, Sir, you treat me with disrespect." The touchy and frustrated Hamilton responded, "I am not conscious of it, Sir, but since you have thought it necessary to tell me, so we part," and he left. Washington soon sent an offer of reconciliation to Hamilton, but Hamilton took their minor disagreement as his opportunity to leave what had become a hated position. Still seething and resentful, Hamilton sent back a stiff, cold reply, stating that his resolution was "not to be revoked," and that an interview with Washington would be "mutually disagreeable." After waiting for a replacement for himself at headquarters, he left.

It is clear from this story that Hamilton certainly did not leave at Washington's request. He was actually all that Washington could want in an aide - he was quick, he wrote well, he spoke French fluently, he could entertain visiting dignitaries, and he was capable of taking in the whole of the American campaign and offering sound advice to his General. What drove Hamilton to leave headquarters was his craving for glory on the battlefield. When Hamilton later heard of this rumor of his being cast out of Washington's family, he wrote to Washington, asking him to correct this falsehood in writing, and confessing "that this...hurts my feelings." Washington replied, with admirable restraint, that "your quitting was altogether the effect of your own choice."

"By some, he is considered as an ambitious man, and therefore a dangerous one. That he is ambitious I shall readily grant, but it is of that laudable kind which prompts a man to excel in whatever he takes in hand."

Throughout his life, Hamilton was constantly being accused of being completely self-serving, as the previous myth seems to imply. He was certainly highly ambitious and always concerned with himself, his importance and his reputation. But he was also completely committed to the American nation, and in his eyes his actions were, above all, for the public good. Washington, when confronted by the accusation that Hamilton was dangerously ambitious, replied, "By some, he is considered as an ambitious man, and therefore a dangerous one. That he is ambitious I shall readily grant, but it is of that laudable kind which prompts a man to excel in whatever he takes in hand." Indeed, it was blind ambition in Aaron Burr that led Hamilton to fear and oppose him. Hamilton recognized in Burr the same driving ambitions that he recognized in himself. But to Hamilton, Burr only did what served Burr best. As Hamilton put it, Burr "is for or against nothing, but as it suits his interest or ambition. Determined to climb to the highest honors of the State, and as much higher as circumstances may permit, he cares nothing about the means of effecting his purpose...I feel it a religious duty to oppose his career."

Myth number three is perhaps the most accepted myth concerning Alexander Hamilton : that he was a monarchist, anxious to establish the equivalent of a king in America. During the Federal Convention, Hamilton was outnumbered in the New York delegation by two decidedly anti-national delegates. Rendered essentially useless by their opposing votes, Hamilton remained uncharacteristically silent for much of the Convention. But on June 18, with the Convention seemingly hesitating to



ALEXR HAMILTON.

An engraving of a bust by Cerachi idealizes the American founding father. Courtesy of Museum of American Financial History

create a strong national government, Hamilton rose and delivered a marathon six-hour speech detailing his thoughts on a new government for the American nation. He openly professed his admiration for the British system of government - its balance, its strength, and its structure. He recognized, however, that the American people would only accept a republican model of government - a government deriv- ing its authority from the people, and in which no one would hold political office as a matter of right or ownership. His pro-British statements were risky after America's recent war against what was perceived as a tyrannical king. He made matters worse by advocating the creation of an executive who served for life; to him, this would promote stability and would prevent the executive from having to continually pander to the public to win re-election.

In later years, when Hamilton became a more controversial political figure and a recognized advocate of a strong national government and a strong executive, political opponents, and even friends, used this evidence, combined with Hamilton's continued skepticism about the durability of the American republic, to accuse him of being a monarchist. Hamilton fought this perception throughout his life. To him, if the executive was elected, could be removed by the people's representatives, and could not pass his office on to his descendants, he was not a monarch. And although he continually fought to strengthen the powers of the government, Hamilton never felt that he strayed from the principles of a republic. To his friends, he admitted having some doubts. He once wrote, "I said that I was affectionately attached to the republican theory. This is the real language of my heart, which I open to you in the sincerity of friendship; and I add that I have strong hopes of the success of that theory; but in candor, I ought also to add that I am far from being without doubts. I consider its success as yet a problem. It is yet to be determined by experience whether it be consistent with the stability and order in government which are essential to public strength and private security and happiness." Doubts he may have had, but he never sought to do anything but preserve the American republic, no matter what he saw as its flaws.

Myth number four involves two statements that Hamilton supposedly made. The first one occurred during the Federal Convention, after Benjamin Franklin suggested that each session begin with a prayer - a suggestion on Franklin's part probably meant to cool some rather heated tempers and put the Convention's proceedings in perspective. Supposedly, Hamilton rose at this point, and opposed Franklin's suggestion, concluding that "he did not see the necessity of calling in foreign aid." James Madison, although Hamilton's political opponent, later denied that this ever occurred - and he was the Convention's unofficial secretary, noting down all the proceedings in his meticulous notes. Hamilton, however, was certainly capable of making scandalous and ill-thought- out jokes. In a letter I recently discovered in the Hamilton papers, Hamilton is writing to Gouverneur Morris, a friend who had a renowned wit, which often strayed towards the scandalous. Hamilton, when writing to Morris, always assumed a witty, slightly scandalous tone. In this particular letter, Hamilton states that he is writing on a Sunday, a day when he should be in church. He then obviously proceeds to make some sort of joking comment about God - a comment which, unfortunately, anxious Hamilton descendants ripped off the page to protect his reputation for posterity.

Hamilton's other supposed comment is better known. At one point in his career, in response to someone's comment in favor of the "people," Hamilton supposedly responded, "the people? Your people, sir, are a great beast!" This comment has been cited as proof of Hamilton's desire to remove the government from the reach of the people and as proof of his interest in nothing but himself and the American elite. Hamilton certainly considered himself to be of the upper

(CONTINUED ON PAGE 25)

An engraving of the 1787 Federal Convention at Philadelphia by Elkanah Tisdale, the site of Hamilton's six hour speech detailing his thoughts on a new government for the American nation.
Courtesy of Library of Congress.

BENJAMIN GRAHAM: THOUGHTS ON SECURITY ANALYSIS

A visit back in time with Benjamin Graham, the man whom Forbes magazine called "the dean of the security analysts and money managers," and a business school class at Northeast Missouri State University conducted by Professor Pat Ellebracht in March of 1972. Individuals in financial circles regard Graham's knowledge of securities and his ability to write about them as unparalleled. Sharing this time together is our once in a lifetime opportunity.

Teacher: Welcome to our tele-lecture series and we certainly appreciate your spending time to talk with us.

Graham: It is a new experience for me and I hope it works out well for all of us.

Teacher: What are the personal characteristics an individual must have if he is to be a successful long term investor?

Graham: Investment is most intelligent when it is most businesslike. I should add that it is most successful when it is most businesslike. The simple answer to the question is that one needs the characteristics of a good businessman, which would make for long-term success in business. Knowing what he is doing, having sufficient judgment to do sensible things rather than silly ones. Beyond that, I wouldn't say that any particular characteristics are required. A man who has a special flair or intuition presumably would do better than one without it, but even that is somewhat doubtful in Wall Street because one can carry one's confidence, and his flair and his intuition, too far and lose out in the end. So I'll stick to my statement that one has to be an intelligent businessman.

Student: What characteristics do individuals generally lack that keep them from being successful long-term investors?

Graham: The primary cause of failure is that they pay too much attention to what the stock market is doing currently. They feel that what's going on now will continue indefinitely or long enough for them to benefit substantially. They want to make more money than they deserve to, and because of that, frequently lose out. They do not match their expectations to their knowledge and capabilities.

Teacher: In your writings, you use many quotations from the classics. May we ask how have the classics influenced your view of human nature and your investment philosophy?

Graham: It hasn't had any significant influence on my career. I just use the classics more out of vanity than anything else because it shows that I really know something about them. They have helped me to look at things, as Spinoza put it, from the standpoint of eternity, rather than day-to-day. I think that has been of considerable value.

Student: What is your definition of an investment and how does it differ from a speculation?

Graham: That appears very early in our book on security analysis and is supposed to be very formal. It says "an investment is an operation in securities, which, upon careful analysis, promises safety of principal and an adequate return." All other operations are speculations.

Teacher: Do you think that the investor's overall investment philosophy is influenced too much by what happened to him in one stock rather than by a more realistic approach to the market in general?

Graham: I would say that there is a more universal approach to the market than the single influence. In the interview with **Forbes,** I said that people who bought IBM at an extremely low price might have been spoiled because of that successful one-time investment. They might have thought that it was quite easy to find another IBM. And so they might have wasted their investment lives looking for a second IBM. To that extent a man's viewpoint maybe influenced by his own few experiences.

Student: Would you please comment on the statement you made in *The Intelligent Investor:* "If you merely try to bring just a little extra knowledge or cleverness to bear on your investment program you might actually do worse than before."

Graham: People seem to think that if you just know a little more than the average person about securities, you'll do better than the average person. Now the average person we'll assume, if he is not led astray, will get average results in the stock market. If you are trying to get better than average results, you're going to very likely rely on what you think is sufficient extra knowledge to do that, you don't have the sufficient extra knowledge to do better than average and very well may do worse. You are trying to be smart, but you are not going to be smart enough. This is what happens to a majority of people who are playing the market, the ones that spend a good deal of time on Wall Street, in brokerage houses and so on, thinking that they can outsmart the other fellow or the averages themselves. One has to be very smart to be smarter than the experts who make up the stock market, that is to be smart enough to outperform the averages.

Student: If you had to look at the 1970's and choose either high-grade common stocks or high-grade bonds, which would you select?

Graham: This is an artificial question since my basic philosophy is not to choose one of them exclusively. If you ask me which one I would favor now, at current levels, I would certainly say the high- grade bonds since they yield twice as much as high- grade stock and more.

Student: If your main interest with respect to investments was protecting yourself from inflation, how would you do it?

Graham: Well, I would just make the best judgment I could as to the expected rates of inflation, and then I would make the very best decision I could to deal with this expectation. My best view over the next ten years about the rate of inflation, is a rather modest 3 per cent. I don't try to make up my mind as to the future in terms of recent experience. That is a common error that leads to bad judgment all over the place in finance. The Conference Board happened to have a 3 per cent estimated price increase for 1972, and I have made a projection of the same amount for about the next seven years.

People seem to think that if you know a little more than the average person about securities, you'll do better than the average person.

Teacher: In the **Forbes** article you suggest that the stock market is likely to be subject to wide swings in the years ahead. Is the reason for this behavior the government's attempt to control the business cycle or the public's belief that fast profits can be made in the stock market, as in the late 1960's?

Graham: Well, I don't believe the government's attempt to control the cycle would or should necessarily lead to wide swings. Long experience in the stock market indicates that the public always thinks it can make fast profits in one direction or another. It seems that human nature requires that stock price movements be carried too far. Too far means that there are going to be corresponding movements in the other direction. And what we'll have in the future, I assume, is pretty much of what we've had in the past, the kind of thing that you've seen in the last two years when the market declined from 995 on the Dow Jones to 630 and come back to 940, and it has been fluctuating since.

Student: Do you think the bear market of 1969-70 is over?

Graham: Well, technically I would say yes. You have a sufficient recovery from the 680 low on the Dow to over 900. The movement that we are in right now is not simply a minor or temporary recovery. If you want to bother with the bull and bear markets, you might as well consider that we have been having another bull market since May 1970.

Student: Do you make a distinction between earning power and current earnings? How do you measure quality of earnings?

Graham: Quality of earnings is not so much related to this distinction between earning power and current earnings. Historically, it is based on the two points of stability of earnings, the lack of any significant downtrend, plus the question of whether there is a pronounced and well-maintained upward movement over the years. The better the stability, the better the upward movement, the better the quality of earnings.

Students: Please explain what margin of safety means with respect to common stock.

Graham: That is discussed at some length in *The Intelligent Investor.* The margin of safety is the difference between the percentage rate of the earnings on the stock as the price you pay for it and the rate of interest on bonds, and that margin of safety is the difference which would absorb unsatisfactory developments. At the time the 1965 edition of *The Intelligent Investor* was written the typical stock was selling at 11 times earnings, giving about 9% return as against about 4% on bonds. It that case you had a margin of safety of over 100 per cent. Now there is no difference between the earnings rate on stocks and the interest rate on bonds, and I say there is no margin of safety. So instead of having the effective margin of safety obtained in 1965, you have a negative margin of safety on stock, which I consider a very important negative factor in connection with buying stocks at these levels (1972).

Student: In *The Intelligent Investor,* you refer to a different kind of water that has been put back in the stock market by investors and speculators themselves. Would you discuss this new kind of water?

Graham: In the old days, what was known as water represented a secret mark-up of the value of the company's assets, chiefly its fixed assets, above their actual cost and above their replacement value so when a stock seemed to be worth $100 a share on the balance sheet, actually it was only worth $20 based on value behind it. Now those semi-fraudulent balance sheets have been corrected. Instead of them, the stock market itself fools with the prices the investor pays. We will put a price of $100 on a stock that has only $20 of fixed value or cost values behind it and the difference between the stock market's valuation as against true book value corresponds to that other difference which was definitely recognized as the watered stock phenomenon. People are paying $100 for a $20 stock in the same way as in the old days a stock that was really worth only $20 was valued on the balance sheet at $100.

Student: How is the new edition of *The Intelligent Investor* different from the previous edition?

Graham: The basic advice and conclusions about investment procedure have not been changed to any substantial degree. The underpinning has been strengthened by my experience with inflation in the last four years, as a justification for the principles I have been pronouncing since 1949 in the first edition of The Intelligent Investor. These principles seem to have been set aside by an almost continuous rise in the stock market from 1939 to 1968. But the experience since 1968 seems to me to give confirmation to the reasoning expressed in the earlier editions. Naturally, I gave more attention to the question of inflation in the new edition than I did previously, because significant inflation took place since the last edition. But as you know, I do not accept it as an indication of what the future holds for us. I don't consider that five and six percent inflation is likely over the long term. I also pay attention to the change in interest rates, which is very significant. I think that because of the adverse change in interest rates from the standpoint of the stock buyer, the value of the Dow Jones average is no greater now than it was five or six years ago. Any other reasons for increased value have been offset by the increase in the interest rate factor.

Student: If we were successful in controlling the busi-

ness cycle, would you change your investment philosophy from buying cheap and selling dear to buying and holding for an infinite period?

Graham: Well, that again is a partly artificial question. I am sure we have better control over business cycles since World War II, which in itself would make for fluctuations in stock prices. But the public has offset that by its crazy idea that once business cycles are under reasonably good control, no price is too high for common stocks, so it's because of that confidence that you've had a more or less corresponding tendency toward fluctuations in the price levels of common stocks. I think there will be fluctuations in the future, but it is not an easy thing to find out just where you can expect to buy low and at what point should you sell. However, the program I propose with 25 percent of the portfolio in stocks and 25 percent in bonds, allowing the other 50 percent to fluctuate in accordance with the market, could be operated pretty well over the future, whether the business cycle is under better control or not. It will still be a feasible program if a man wants to give it the time and attention it needs.

Student: In the **Forbes** article, you said you would buy public utility stocks because they are selling around book value. Are your gains here not going to be limited by a regulatory environment and high interest charges?

Graham: Well, that is a good question and I am glad you asked it. The gains would be limited by regulations, but there are two things on the plus side. One is that the losses should be very strictly limited, and secondly, that there is a much better promise of gain if you buy these stocks at book value than for a typical industrial stock that you would buy at book value. Utilities have very strong advantages which are not recognized in the current market. Their earnings are legally protected. Regulatory bodies must give them adequate earnings to support their investment and pick a value and particularly to encourage new investment. That has resulted in a rate structure which has resulted in stock prices about 50 percent above common stock book value. You see, it would not be possible to raise substantial amounts of money through the sales of common stocks to the public unless the public had reason to believe that the value of the stocks they are buying would at least be worth the price they are paying. Under those circumstances the whole history and philosophy of regulation has virtually guaranteed a premium over book value for common stocks with the very minor danger of declining below it, and that is a very good combination. I think an investor should be well satisfied with a very good chance of having a 50 percent gain on his investment very quickly, with very little chance of loss.

I think an investor should be well satisfied with a very good chance of having a 50% gain on his investment very quickly, with very little chance of loss.

Student: Why would you select public utilities stocks over natural resource stocks, such as copper, oil, and land stocks that are selling for around book value?

Graham: First, you don't find so many natural resource stocks selling about book value unless they have had some real difficulties with their earnings, the kind of thing that has not happened to the utilities. For utilities, an adverse situation is one where they earned a few cents less than the year before, instead of two or three percent more than they earned the year before. But for natural resource stocks, earnings are subject to all sorts of fluctuations and conditions. Suppose you take Anaconda, subject to confiscation of part of its assets, losing 3/4 of its price and about that much of its earnings in the last two years. Or look at Gulf States Land and Industrial Company. You find that they have virtually no earnings, and the price has fluctuated between 30 and 2 recently. That is completely different from a public utility investment. It hasn't got the quality of earnings which we were talking about.

Student: How do you go about determining the intrinsic value of a natural resource stock?

Graham: It is an exceedingly difficult thing to do. When we were putting values on companies, we had some scale of value for oil resources, like $1 a barrel for developed resources, 40 cents a barrel for probable reserves, and 10-20 cents a barrel for possible reserves. That can be done, but the results are not especially useful. If somebody asked me to put a value on a natural resource company, I don't think that I could do it well, and then I would not like to do it at all.

Student: Do you think corporations should substitute stock dividends for cash dividends in order to more easily finance long-term growth?

Graham: Yes, by all means. Dividend policy in my own opinion has been very unintelligent, especially by public utilities which pay out the typical 2/3 of their earnings in cash and then every now and then take back money for new stock, which is greater than the amount of the previous dividend that they paid out. They could have anticipated that by paying stock dividends in place of cash, and the stockholder would have been spared on income tax on those earnings. He would have built up his equity, by not having to pay taxes on the dividends he received in cash, since they were added to his equity. American Telephone and Telegraph could have saved billions of dollars for its stockholders if it had developed a stock dividend policy more or less equivalent in the final result to its cash dividend plus rights.

Teacher: Mr. Graham, I had a question that came to mind while you were talking. We see this statement made in textbooks a lot of times and it seems that the market disproved it in 1969-70. It is the blanket statement that stocks are an inflation hedge. How do you feel about that?

Graham: Well, they are a better inflation hedge than bonds, but they certainly are not perfect. You can't assume that their earning power will increase to reflect inflation. You might say that historically, stocks have repaid their earnings on your investment capital in spite of inflation. Bonds, on the other hand, lost a considerable portion of their principal value because of inflation, so to the extent that stocks have stood still and bonds have declined over the last 10 or 20 years, stocks have fared much better. The point is that the real earning power of a company is measured by the rate of earnings on its stock equity. If you double the equity, you would assume that the earnings would double. What has happened over many years is that the common stock has built up considerable stock equity, and while earnings have gone up, they have not gone up more than the equity. So that all that has happened is that they are earning a lot less, say 9.5 % for Dow Jones companies where 20 years ago they were earning 12 %. The change has been downward in the last twenty years in spite of inflation so to that extent you cannot say that inflation has benefitted common stocks.

(CONTINUED ON PAGE 28)

"Back to Basics: Focus on the Customer"

[The New York Stock Exchange, which traces its origins baek to the signing of the famous Buttonwood Agreement in 1792, continues to play a major role in the national and international securities marketplace. In the following speech delivered to the Securities Industry Assoeiation Annual Convention on November 30, 1990, on the eve of his becoming chairman and ehief executive officer of the New York Stock Exehange, William H. Donaldson sets a eourse for the industry that he hopes will bring it successfully into the 21st century, a course that returns to the fundamentals of the seeurities industry.]

This is a rare and, I guess, fleeting opportunity for me. Your problems discussed in the past few days don't officially become mine, as well as yours, for about 32 days, 18 hours, 45 minutes.

I'm still sitting up in the stands with the hot dogs and peanuts. On the other hand, sometimes it's easier to see the field from the peanut gallery than at ground level.

As a one-time analyst and investment banker, let me state my disclaimers up front. Today, I don't stand here as the chairman of the New York Stock Exchange.

Rather, I'm someone who's sat where you're sitting - someone who's experienced the agony and ecstasy of trying to start and run a successful securities business. In the intervening years, I've done hard time in government, had a tour in academe, and more recently played a role as a "venturesome" capitalist, individual investor and investment committee member for a plethora of pension and endowment funds.

Alas, although I've been away from your side of this industry for some time, I haven't exactly been detached from it - certainly not detached from the accelerating change that's transpired. And since the announcement of my impending role at the NYSE, there's been time to reflect and to meet with a broad cross-section of this industry's prime constituencies.

Many of those people seem to be dissatisfied, and not just because the market has turned down. They're dissatisfied, I believe, with how this industry is conducting itself. They see that the industry's focus has changed, that it has allowed its activities to flow in a number of new and diverse directions. As clients, they're not convinced that's working very well, or that the diverse directions are in their best interests.

In short, they want us to get back to basics.

Where We Were and Where We Are

It will not be a startling revelation to characterize the decade just past - the resounding 1980s - as a somewhat ribald party. The pace of financial events accelerated with each faster beat of the economics orchestra.

Against a backdrop of equity markets rocketing upward at an annual compound rate almost twice that averaged in the past 80 years, it was hard to do much wrong. Or to put it more directly, hard not to reap unprecedented financial rewards. The "wrong" part we're only becoming fully aware of now.

A phalanx of new recruits - many from the nation's best graduate schools - flooded the ranks of this country's oldest and most venerable financial organizations.

Armed with appealing new certitudes, grounded in modern portfolio theory and perfect-market precepts, they began to create new weapons - computer driven transactions, derivative "products" of the hour, precise formulas for asset allocation and fancy new portfolio maximization strategies.

Coincident with these new approaches came another phalanx. Brandishing fresh concepts of financial structure and security design, they set about to change the landscape of corporate America.

A massive asset redeployment ensued that made the "conglomerateurs" of the 1960s and '70s seem like minor-league players.

My point here is not to engage in recriminations. The whistle has blown on the '80s, and my intention today is not to "pile on" after the play has finished. It's obvious we're now paying for the party.

"This industry has a bright future."

The issue before us all, however, is how we structure and play the game in the 90's so that when the year 2000 rolls around, we can take pride in the way our businesses have been conducted. So that we can rejoice in the soundness and stability of our markets and institutions. So that we can enjoy the rewards that will legitimately flow from genuinely satisfying the needs of our lifeblood - individual, institutional and corporate customers.

We are at a crossroad, perhaps symbolized best by the ancient Chinese character which means danger and at the same time represents opportunity. The danger is obvious - that we'll get bogged down in cleaning up the

financial mess that's been created. That we'll be paralyzed by the enormity of the task and by the retrospective barn-door closing by regulatory or legislative forces. So paralyzed that we're unable to take the preemptive self-regulatory steps needed now. So paralyzed that we won't seriously rethink and change the practices and organizational factors that brought us to this point.

I hope that my comments this afternoon - as we all face a very difficult business environment - won't be interpreted as Polyannish. We can and must interpret and react to the opportunity side of the Chinese symbol.

We can begin by listening closely to our customers and clients. We must listen, with a willingness to hear what the impact of all these new directions has been on our customers.

As you might suppose, I've recently been listening very intently, and I'd like to share with you what I've been hearing.

Listening To The Customer

First, your corporate clients.

"Wall Street," as a euphemism for the investment banking side of the industry, has never been the most popular subsegment of the business world nor a term of endearment. And yet, when I first entered the securities business many moons ago, there was an integrity and quality inherent in the long-term client relationship that rivaled that of any of our most revered professions.

Sometimes stodgy, most of the time conservative, the role of advisor and trusted counselor was clearly understood and highly valued.

Today, I find leaders of the corporate world are more disappointed and downright angry with this industry than I have ever seen them. While there are notable exceptions to this feeling, based on service still delivered in a faithful mode by some organizations, the majority want to know, "Whose side of the table are you on?"

"Opportunistic shifts tear the fabric of trust."

Their perception is that there has been a gradual but accelerating shift from their side to the other side - a shift from agent to principal, from advice-giver to competitor, from investment banker to merchant banker.

They see conflict of interest, excessive fees and sometimes judgment compromised by self- interest.

The question is: If we're to take a hard look at the lesson of the '80s as a guide for the '90s, is it possible to be so many things to too many clients and still maintain integrity?

At different times, in different market environments, one or another of these lines of business may seem to be or actually be vastly more profitable. Opportunistic shifts, however, tear the fabric of trust and are not easily repaired or reinstated.

Cock an ear to the individual investor, and if there isn't the same anger or frustration, there's at least a small measure of dismay.

Certainly, many things have improved during the 1980s. There's a lot more information out there, and there's a quicker reaction time. Turnaround time for electronic orders on the NYSE averages 28 seconds. Comparisons are down to one day. Customer reporting is efficient and increasingly error-free. Capacity to handle high volumes of transactions has increased exponentially.

Despite these and many other advances, there is still a feeling that this industry is not putting the customer first. There have been many surveys and many interpretations of these surveys. You and I can disagree, but my listening devices pick up a number of themes:

- Wall Street is no longer the place for the little guy.
- Markets are increasingly designed to serve only the largest investors - and that's who many of the big member firms are really interested in.
- For whatever reason, the market has become too volatile.

There are many analyses delivered regularly that purport to show that volatility has not increased. But tell that to the elderly couple who decides to liquidate equities in a retirement account built over the years on the day an aberrational downfall scuttles years of equity appreciation. It is like measuring month-end levels of a tropical sea and concluding that the ocean is calm, despite what's been going on during the month.

The question is not whether markets are more volatile - they are, in my view - but rather what can be done to modify today's practices and thereby reverse the attitudes that have scared so many individual investors from the marketplace.

Too many in the industry have given up on this. They have concluded that it's no longer a small guy's market - and they have made a virtue out of this distressing situation by accelerating the pooling of funds. Fortunately, for some individuals, experience gained in equities through mutual funds has proved to be a springboard for some to buy stocks directly. Individual participation has been the cornerstone of our unique and liquid market system. We lose it at everyone's peril.

How about the institutions?

Money managers in many cases are not too happy with this industry, either. And while some of the reasons vary, the basic one isn't that different from the complaints we hear from individual and corporate clients. They also want to be certain that they have agents who put the customer first. To quote a recent business weekly's cover story:

> "There's a widely held view that Wall Street is taking advantage of us, that they're not looking out for anybody's business but their own."

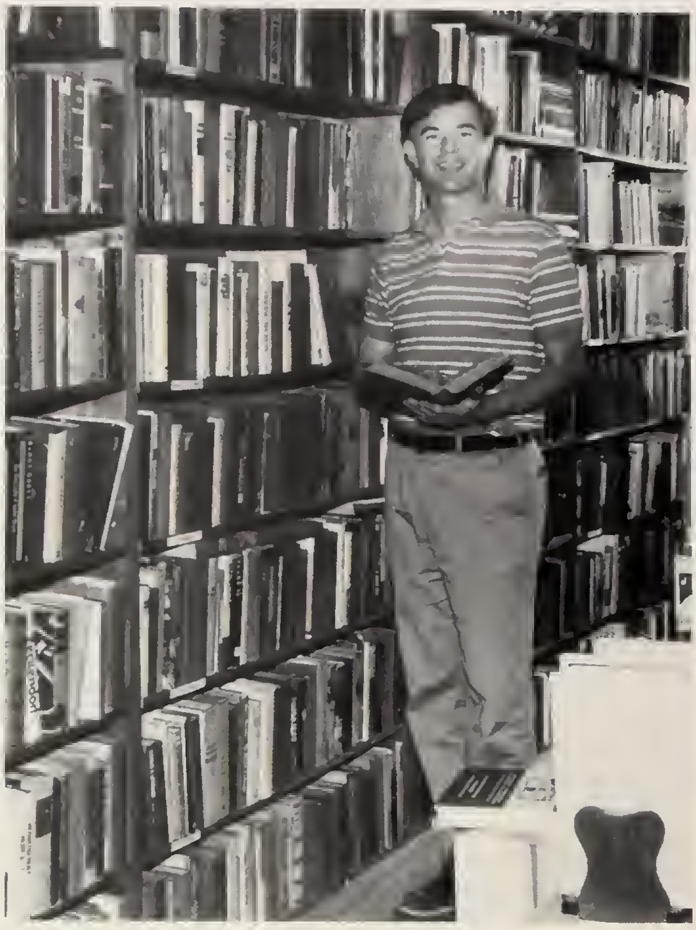
You don't have to totally agree with that view to be worried about it. Perception can be more important than reality.

Cutting Out The Intermediary

The three groups of customers - corporate,indi-

(CONTINUED ON PAGE35)

BOAS ON BOOKS



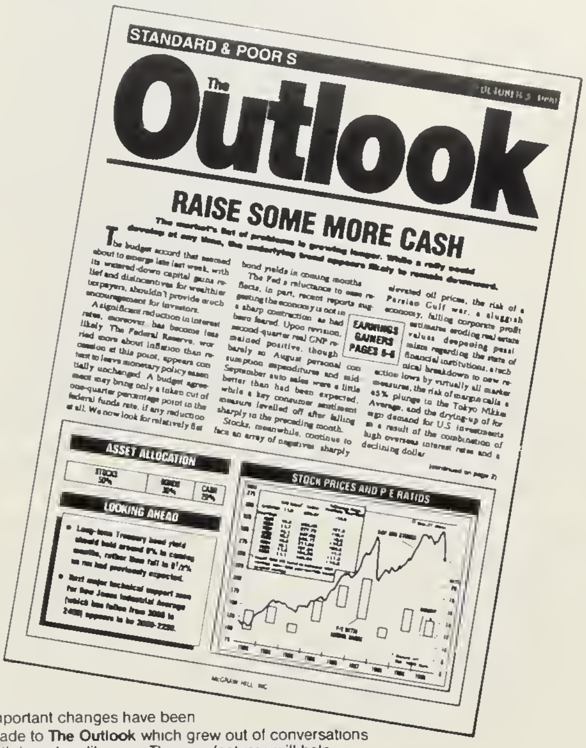
Knowledge of historical or background information adds pleasure to any hobby. For the scripophilist, an appreciation of the development of this country's industries and the men who developed them brings a greater understanding of what stocks and bonds represent. Carefully chosen books in the collector's library aid in building the appreciation. In future issues of Friends of Financial History, this column will review business and financial history books that best provide that understanding and appreciation.

Stewart H. Holbrook's THE AGE OF THE MOGULS, published in 1953, is recommended as the basic reference book for those interested in business history. Holbrook covers a great deal of material about the classical figures who made (and often lost) great fortunes between the 1860's and the 1930's. When published, THE AGE OF THE MOGULS provided an up-to-date overall survey of the popular literature of American business. Among the more than thirty tycoons or robber barons Holbrook profiles are the Vanderbilts, the Erie Gang, Carnegie, Rockefeller, Cyrus McCormick, the Guggenheims, du Ponts and Mellons.

Vividly portrayed are the times during which the moguls plundered and wasted while they amassed their fortunes, built trusts, manipulated stocks, and worked secret deals, any of which in today's environment would have brought jail sentences to the moguls. Jay Gould is seen attempting to corner the gold market with the cooperation of James "Jubilee Jim" Fisk and Daniel Drew, causing panic and nationwide depression when the market collapsed on Black Friday, September 24, 1869. The reader becomes a casual observer in the room as J. Pierpont Morgan meets with Charles Schwab and, after being satisfied with all of Schwab's answers, tells him that "if Andy wants to sell, I'll buy. Go find his price." Without haggling Morgan reportedly gave $492,000,000 for Carnegie Steel in 1901. And the stories of the development of American business go on. Holbrook's bibliography provides further references for the budding bibliophile to pursue.

For an extremely readable and entertaining introduction to American business history and the exploits of the great tycoons and robber barons, Holbrook's coverage of so much territory makes THE AGE OF THE MOGULS the first volume one should devour.

[Ray Boas has been in the antiquarian book business since 1981, specializing in business and financial histories and biographies. In February, 1990, following his retirement as a career naval officer, he opened a general antiquarian and out-of-print book store in historic Haddonfield, New Jersey, just outside of Philadelphia.]



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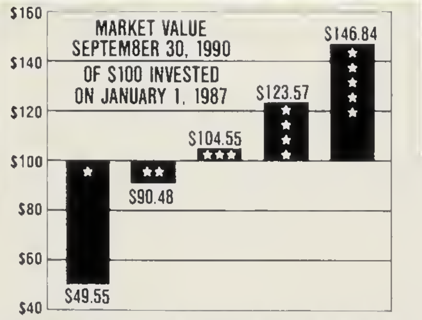
Three-STARS***	Expected to be an average performer
Two-STARS**	Avoid—Likely to be a below-average performer
One-STAR*	Sell—Expected to be a well below-average performer and fall in price

Since January, 1987, the model portfolio of **Five-STARS** selections has risen 48.6% while the S&P 500 Index has climbed 26.4%. At the same time, the **One-STAR** group (the sell recommendations) has fallen 50.5%. The chart at right shows the cumulative performance of each group of **STARS** stocks.

CUMULATIVE PERFORMANCE OF STARS



Performance results of the 5, 4, 3, 2 and 1 **STARS** stock groups have been calculated using standard time weighted performance formulae. Since results are exclusive of transaction costs and dividend income, the actual results obtained by investors will be different. Because recommendations are made with the intent of maximizing gains in the case of 5 **STARS** and identifying well below-average performance in the case of 1 **STARS**, the volatility of these groups is likely to be higher than that of the 4, 3 and 2 **STARS** groups, as well as higher than that of the S&P 500 Index. There is no assurance that any future **STARS** recommendation will be profitable, or that any of the recommendations is suitable to achieve your personal investment goals. A list of **STARS** recommendations since January, 1987 is available.

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The Bell Tolls in Budapest

By Arthur W. Samansky

Each time the new Budapest Stock Exchange opens for trading, American markets play a role: the opening bell was a gift from the United States Securities and Exchange Commission and the Securities Industry Association.

A piece of Americana in the Budapest Stock Exchange isn't out of place, considering U.S. securities markets have long served as the role model for developing markets across the world, most recently those in emerging Eastern and Central European nations. Among those is the mart in Budapest, Hungary, where, last year, the first stock exchange in the new Eastern Europe re-opened.

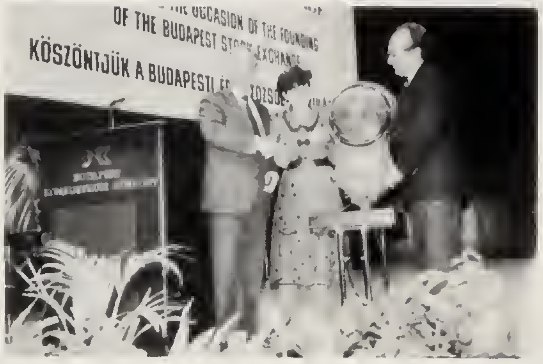
Budapest is a fitting site: prior to World War II, continental Europe's largest stock exchange was housed in the city astride the Danube. Further, since the early 1980s, a small securities market (almost exclusively bonds) struggled ahead in Hungary. And, in 1988, in the wake of Mikhail Gorbachev's perestroika in the Soviet Union, the nascent, unregulated stock exchange started taking shape.

In March 1990, the "Act On Securities and Stock Exchange" took effect, and in June the Budapest Exchange formally re-opened, although only a few stocks traded. To help celebrate the event, Securities and Exchange Commission chairman Richard C. Breeden brought a congratulatory message from President Bush and a nicknamed "Bell of Friendship" inscribed by Mr. Breeden and Robert N. Downey, 1990 chairman of the Securities Industry Association.

Mr. Breeden said, "We hope this bell will ring to signal the beginning of trading each day for generations in a free and prosperous Hungary." He also noted the bell, a traditional symbol of political and economic freedom in the U.S., would celebrate the re-establishment of free capital markets in Hungary. During the visit, Mr. Breeden met with a variety of Hungarian officials and signed a statement reiterating the willingness of the U.S. to provide technical assistance to Hungary in the development of capital markets. Discussions also included the work of the SEC's "emerging markets advisory committee" which provides technical assistance from the public and private sectors to emerging markets.

Carter Beese of Alex. Brown & Sons, and William Heyman, then of Smith Barney, Harris Upham & Co. Inc., both members of the advisory committee, accompanied Mr. Breeden. Mr. Heyman currently is deputy director of the SEC's division of market regulation, and still involved in the work of the advisory committee.

[Mr. Samansky is Vice President, Communications, Securities Industry Association.]



SEC chairman Richard Breeden (left) presenting "Bell of Friendship" to Ilona Hardy, head of the securities trading committee, Budapest Stock Exchange. John T. O'Rourke, then an SIA vice president, and now a partner in Fontheim & O'Rourke, a Washington, D.C. law firm, assists in the presentation.

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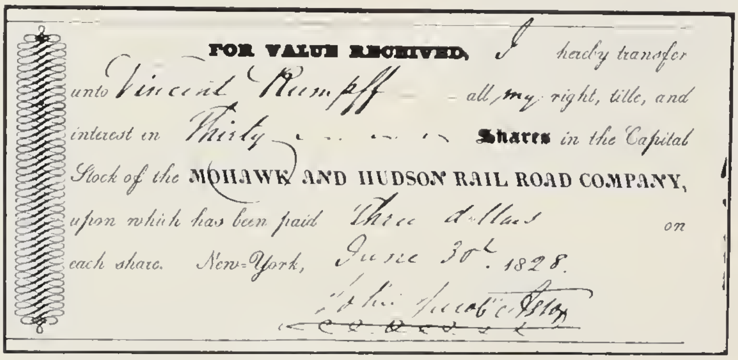

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The Detlef Tschöpe Award

The Detlef Tschöpe Award will be presented annually by the *International Bond & Share Society* in recognition of an outstanding contribution to the field of scripophily. In keeping with the ideals of the Society, the award will be presented to an individual who has contributed to the betterment of scripophily and the enrichment of the collecting fraternity, while at the same time, adhering to the research, education and the fostering of a greater interest in the history of finance, the goals of the award will be achieved. *The International Bond and Share Society* is pleased to present this first annual award jointly to Ulrich Drumm and Alfons Henseler, whose untiring and selfless efforts have introduced the merits of this wonderful collecting specialty to many throughout the hobby.

[The following speech was delivered by Reinhild Tschöpe, wife of Detlef Tschöpe, at the 4th Annual Stock & Bond Event held in Strasburg, Pennsylvania, January 1991. Both Reinhild and Detlef Tschöpe were active collectors of American securities. Together they published the Historische Wertpapiere auction catalogues.]

Ladies and Gentlemen:

When I was informed last year in Memphis by the *International Bond & Share Society* that an award would be given in the memory of my husband Detlef Tschöpe I was very moved. That this prize was approved for presentation here in Strasburg in the short period of half a year speaks for the determination and persistence of the Americans. In Europe, we see a good example of this with the commitment of American men and women who are fighting for all of us in the Middle East. We in Germany sincerely appreciate your sacrifices.

My husband began to collect antique securities in 1976, and although he liked German securities, he had a special love for American history and certificates. When he first came to America in 1983 to be operated on in Buffalo, his recovery gave him a chance to visit antique stock & bond shows in Memphis, New York and later Strasburg. We always felt especially welcome on our visits.

It is my hope that this prize will strengthen the ties of America to Europe and add to the great future our wonderful hobby surely has. Thank you very much and God bless you.

The presentation of the first Detlef Tschöpe Award, January 26, 1991, accepted by Claus-Jörg Tchorrek for Alfons Henseler, left, Verena, Reinhild and Melanie Tschöpe, Haley Garrison, and Stefan Adam, accepting for Ulrich Drumm. It was a moving moment and a wonderful new chapter in collecting and international friendship.


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Strasburg 1991
Notes and Photos from the 4th Annual Strasburg Stock & Bond Auction & Show

The Strasburg Event began early this year, with a few dealers arriving on Monday night. Visits with friends and relatives and a bit of relaxing on jaunts around the winter sun-filled countryside were welcome. Pumpkin muffins and big breakfasts made us all feel at home as the Bourse began to fill up with 28 dealers. A dinner given by R.M. Smythe on Thursday boasted Jakey Buddershnip, who regaled us with local color and added a bold new dimension to the Strasburg Tie Competition. Trading was brisk, as buyers pounced on each new dealer's unpacked albums. Unexpectedly high prices in Friday's auction reassured everyone, and set the stage for Saturday evening.

Before a packed house of 95, Reinhild Tschöpe spoke grateful words on the presentation of the first Detlef Tschöpe Award for "an outstanding contribution to the field of scripophily." The beautiful silver trays were received for Ulrich Drumm by Stefan Adam and for Alfonse Henseler by Claus-Jörg Tchorrek. Everyone was moved as East met West through a hobby with growing serious interest.

A report on the Museum of American Financial History by John E. Herzog recounted many accomplishments, including publishing Friends of Financial History in a new format, addressed to a wider audience with a broader spectrum of subject material. The premiere issue was circulated widely and well received. Herzog then presented the Museum "C-Pin" to three dealers, David Beach, David Strebe and Scott Winslow, who had contributed material for the Museum collection.

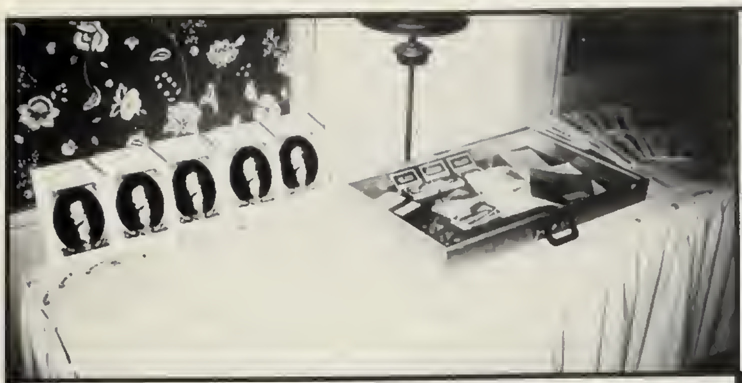
The highlights of the Strasburg sale were on the one hand predictable - favorites like the **Standard Oil Co.** (2126), issued to and signed by John D. Rockefeller, which fetched $12,000, the super-rare **American Express Type I** (2171) signed by Wells and Fargo which reached $11,000 and the **Chaplin Studios** signed by Charlie Chaplin (2133) which brought $9,000. One the other hand, unusual certificates like the **Ezekiel Air Ship** (2145) brought $1,200, the **Bodie Bluff Mining** (2131) $925, the Dealer lot of **Playboy Enterprises** (2112) $2,000, the blue **Ringling Brothers**, $700, and the **Stanley Rule & Level** (1019), $500. Only half a dozen lots were unsold.

These prices convey the excitement of the floor bidding and indicate that the interest level of collectors remains very high. The results of the Mail Bid Section were very encouraging with most prices exceeding the catalogue estimates.

Finally, a wonderful evening was capped with a lovely reception hosted by Scott and Lisa Winslow, where everyone had a great time chatting, eating and toasting. All in all, it was a great event, and we are looking forward to seeing everyone next year - same time, same place, along about sundown...

The "Friend-sy" of financial history gets off to a good start with Penn Central certificates. Erick Boone, Clifford Priest, Bob Greenwalt, Sam Withers, David Beach, Richard Urmston, David Strebe and Douglas Ball.

Remember those crab cakes, fried chicken, shoo fly pie and pumpkin muffins? Here are Chris Schnee, Banquet Manager, Jeanie Moore, waitress, and Chef Steve Leeper of the Historic Strasburg Inn.



The Museum table at the Strasburg Show, —the first one ever!

Our friends from Germany, Stefan Adam and Claus-Jörg Tchorrek, and Judith and Claud Murphy.

David Strebe (Seabrook, MD), Lois and Paul Peel (Colorado Springs, CO), Susan Frenzel (Baldwin, NY), Frank Hammelbacher (Rego Park, NY), David and Susan Beach (Goldenrod, FL) at the dinner Thursday evening.

Leonard Lasko (Mr. 3L, Lancaster, PA), Susan and Peter Frenzel (Baldwin, NY), Ian and Bella Marshall (Toronto, Ontario) and Mrs. Lasko.

Ted Robinson (Frost and Robinson, PA), Claus-Jörg Tchorrek, Stefan Adam, Lennie and Michelle Robinson, and Bob Kluge (American Vignettes, NJ).

Bruce Heiner (Ellicott City, MD), Michael Wheeler ((England), Bill Yatchman (Greentree Stocks, Arizona), Bob Greenwalt (Rosemead, CA),and Erick Boone (Centrum Voor Scriptophilie, Belgium).

A lucky Haley Garrison (Williamsburg, VA), mit funf schoene damen! Verena Tschöpe, Hannelore Garrison, Frau Reinhild Tschöpe und Melanie " Muti, Muti, Mein Teddy spricht nicht mehr" Tschöpe.

J.B. and Melanie Anderson, Bruce Hagen (R.M. Smythe, NY), Shelby and Howard Applegate and Clifford Priest (Chicago, IL).

The Unforgettable Jakey Buddershnip (Strasburg, PA) with Diana Herzog, who later bought this tie for John's collection.

Peter Cooper, Richard, Monika and Sonja Urmston (Centennial Documents, NJ) Lisa & Scott Winslow (Scott J. Winslow Associates, NH and Congratulations!) and Richard Malone.

On Saturday night before a packed house John Herzog gives an update on the Museum activities, and presents the Presidential C-Flag pin for donations of certificates to the Museum to David Strebe, David Beach and Scott Winslow.

Unexpected attendee from Randolph Macon Woman's College, Mary Herzog.

class, and his aristocratic tastes were apparent in his clothing, his manner, and the company he kept. Unlike Jefferson, he was never successful at communicating with the "common man." But he always felt that his actions were in the best interest of the nation at large. Although he was openly concerned with the interests of the wealthy and powerful, it was because he felt it necessary to attract their money and power to the support of the weak, new American government. Even his constant struggle to strengthen the national government, an effort that Jefferson considered as aimed at removing the government from the reach of the people, was intended by Hamilton to promote a government strong enough to protect the people's liberties, and prevent the majority from crushing the rights of the minority. Hamilton's comment about the people being a "great beast" was actually first popularized by Henry Adams, a descendant of John Adams. For generations, the Adamses had persisted in a family hatred of Hamilton. Henry Adams was predisposed to believe the story, but had very little support for it. He got it from someone, who got it from someone, who got it from someone.

Myth number five is the belief that Hamilton was thoroughly corrupt, financially benefitting from his position as Treasury Secretary and leaking Treasury secrets to his wealthy speculating friends. As far as Hamilton's own finances were concerned, not only did he never financially gain from his position, but he actually resigned because his low salary as Treasury Secretary had almost bankrupted him, and he needed time to attend to his family's finances, earning some money while practicing law. As Hamilton put it, "Our finances are in a most flourishing condition. Having contributed to place those of the Nation on a good footing, I go to take a little care of my own; which need my care not a little." Hamilton often said far too much, and he might, on occasion, have revealed too much while conversing with friends. And there were, unfortunately, occasions when his staff leaked information. But I have not seen any evidence that Hamilton consciously gave his supporters illegal advice or funding. Even Thomas Jefferson stated that Hamilton was not a corrupt individual. Hamilton was actually almost careless with his own finances. His wife, Elizabeth, managed their household budget, and as one friend said, deserved "as much merit as your treasurer as you have as treasurer of the wealth of the United States." Hamilton readily admitted to Elizabeth before their marriage that "an indifference to property enters into my character too much," and asked her if she were prepared to "relish the pleasure of being a poor man's wife." A few days after he retired as Treasury Secretary, he even wrote to his bank admitting that he had lost his bank book, and didn't know how much money he had in his account.

However, Hamilton didn't help his own case very much. In 1792 Hamilton's ill-timed sense of humor led to an accusation that he was bribing a Congressman. A particularly cantankerous Representative named John Francis Mercer was owed money by the government for a horse which had been shot out from under him during the war. Hamilton and Mercer did not like each other at all, and, most probably, Hamilton was somewhat slower in filing Mercer's claim than he might have been with someone else. Hamilton, as I mentioned before, was very conscious of his own importance, and could not resist putting others in their place. One day, while on his way to dinner with a group of friends, Hamilton was confronted by Mercer on the street. Mercer accused Hamilton of not handling his request because of personal dislike. In a later account of the incident, Hamilton reflected that at the moment, he had two choices before him. He could either be greatly offended - the more characteristic response - or he could make a joke and pass on. Hamilton chose the latter course. In response to Mercer's comment, Hamilton said, "There is one expedient which will shorten the discussion very much - If you will vote for the assumption tomorrow, or if you will change the vote you gave upon the assumption to day, we'll make the thing very easy, we'll contrive to get your account settled." In Hamilton's later account of this incident, he remarked that everyone laughed at this point, even Mercer himself. However, Mercer began spreading stories about Hamilton's attempt to bribe him, and eventually Washington found out, and demanded an explanation from Hamilton, who was forced to admit that he had made a joke - admittedly, a poor one. Mercer and Hamilton almost fought a duel over this incident.

"Our finances are in a most flourishing condition. Having contributed to place those of the Nation on a good footing, I go to take a little care or my own; which need my care not a little."

Myth number six is the belief that Hamilton was Washington's mentor - secretly running the government, telling Washington what to do, and using Washington's reputation to wipe away stains left in his wake. There is no doubt that Hamilton was a prime force in the Washington administration. Washington trusted Hamilton and gave him far more free rein than he did to Jefferson or other cabinet members. But part of the reason for Washington's lesser involvement in Hamilton's affairs is that Washington knew far less of finances than he did of foreign affairs - Jefferson's realm. And, although Hamilton continually advised Washington on economic matters and much more, Washington took his time making decisions, weighed all sides of any issue, and came to his own conclusions. One of Washington's greatest skills was his ability to find and use men of great talent to counsel him.

When one looks carefully at Washington's relations with his Treasury Secretary, one finds that, although Washington followed Hamilton's counsel much of the time, Hamilton most certainly did not have free rein. At one point, Hamilton was accused of misapplying Treasury funds. His defense, when confronted by a congressional investigation, was that Washington had verbally agreed to Hamilton's actions. Washington professed no memory of an oral authorization, although he assured Hamilton that "I do not doubt, that it was substantially as you have stated it." Hamilton was quite wounded by what he saw as Washington's lack of support. But even more worrisome to Hamilton was the fact that Washington showed a marked increase in the attention he gave to Hamilton's financial dealings after this point. Shortly thereafter, Washington asked Hamilton if he had followed through on a recent request, and Hamilton, who had been making plans quite different from Washington's original instructions, replied, "I had entirely forgotten the existence of your...instructions."

Hamilton continued to resist Washington's instructions, and Washington was forced to insist that Hamilton comply. So, Washington was not a sleeping President, and Hamilton was not the secret President -- at least, not under George Washington.

Myth number seven involves women and scandal. Hamilton was always something of a ladies' man, particularly noted for his gallantry. Abigail Adams, in keeping with her New England Puritan background, was scandalized by Hamilton's behavior at parties; she described him as entering parties and immediately scanning the room for the most attractive women to flirt with. A scandalous rumor states that Hamilton had an affair with Angelica Church, his wife's sister. Elizabeth Schuyler, Hamilton's wife, was a stable, down-to-earth, unpretentious woman - the perfect match for the high-strung, unpredictable, emotional Hamilton. Elizabeth's sister Angelica was a noted beauty - flirtatious, highly intelligent, and a prominent society figure. The surviving correspondence between Hamilton and Angelica shows that they flirted quite a bit, even to the point that Angelica was prompted to tell Hamilton, in a very delicate way, to cool off. But no evidence exists to suggest that they went any further. And, surprisingly, some of Hamilton's more flirtatious letters have postscripts from Elizabeth on them, or passages written by Elizabeth. No matter how foolhardy Hamilton was, he would not have shown these letters to Elizabeth if he had any fear of revealing a dread dark secretive affair with her sister. And the two families were always the closest of friends.

This is not to suggest, however, that Hamilton was not capable of adultery. When, in 1791, the attractive Maria Reynolds came to his office, pleading for help after her husband had abandoned her, Hamilton gave her far more than money. As he put it, "some conversation ensued from which it was quickly apparent that other than pecuniary consolation would be acceptable." He had an affair with her that lasted over a year, involving the payment of blackmail money to Maria's husband, who appeared on the scene shortly after their first meeting. Maria's husband later used these blackmail payments to help Hamilton's political opponents accuse him of misusing Treasury funds. To defend his public reputation, Hamilton wrote a pamphlet in which he denied the accusations regarding Treasury funds, and instead, confessed in great detail to an "amorous connection" with Maria Reynolds. Years later, political opponents were still referring to Hamilton as Mrs. Reynolds' lover.

This sketch of Hamilton's life and the myths surrounding it is scarcely capable of portraying the true Alexander Hamilton. For, besides being a pivotal historical figure who took part in the creation of our Constitution, fought to include New York in the new constitutional government, saved the United States from financial ruin, and left his imprint on the identity of the American nation, Hamilton was also a man who kissed his children, talked too much, told bad jokes, feared humiliation, worried about supporting his family, and above all, was as unsure of the outcome of his actions as we are of ours. Myths dehumanize, removing the uncertainty, the excitment, the ambiguities, and the emotion of the unfolding of history. We seek to clearly identify the "good" and the "bad." We try to create better, more logical reasons for the events of history. We endow historical figures with more knowledge, absolute confidence, and ulterior motives than they ever possessed. But what is truly fascinating about Hamilton, Washington, Jefferson, and their contemporaries is that they were real people, with their good and bad sides, living during a turbulent period, blessed with the talents to take part in the creation of a nation, but, like any other person faced with a challenge, unsure of how to proceed and doubtful about the success of their actions. The history of the United States is a human story. To truly understand it, it is important to preserve its humanity.

End

**Text from a speech delivered by Joanne B. Freeman, historian, to a meeting of the American Revolution Round Table, at Fraunces Tavern, December 5, 1989.*

A portrait of Elizabeth Schuyler Hamilton by Ralph Earl, 1787: the stable, down-to-earth, unpretentious woman behind the man. Courtesy of Museum of the City of New York

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What happened is that they pay out less than they earn and they have built up equity considerably, whether you would have expected the value to go up in relation to their earnings. The market price, on the other hand, has a rather different story. The market price has gone up a great deal simply because price earnings ratios have increased. In 1949, common stocks were selling for only seven times earnings while now (1972) the ratio is seventeen times earnings. A large part of the increase between 1949 and 1972 came about because investors are willing to pay more per dollar of earnings. Consequently the price has advanced, which is not a very meaningful development.

Teacher: Could you tell us about some of the interesting experiences you've had and some of the companies that you remember best?

Graham: Back in 1928 I went into a partnership with Bernard Baruch. We bought a company which seemed to be cheap. I think we paid $9 a share for it and it was earning something like $1.50. I became financial vice president of the company, and they paid me $3,000 a year for that job. Well, the company had a lot of cash and a very good business selling firecrackers, but from that time on everything went wrong, including the big depression and the collapse in 1929. We were lucky to be able to get out and not lose too much money simply by holding on until 1936-37. New people came in and took the company over, its stock now $3 3/4 (Unexcel Manufacturing). They began to do things that seemed impossible, such as selling bonds in Europe, and the stock went up to $63. Then the stock went down all the way to 3/8 and went up again to 68...then back to $3 3/4 and now it is up to about $14 a share. I have always watched this company because I had a personal connection with it. I've had no investment in it for an awfully long time, but to my mind it is a pretty good paradigm for a typical corporate fluctuation over a 30-year period.

My suggestion to you and your students is that you make studies of the vicissitudes of twenty companies, from the Standard & Poor's Stock Guide, picked in any way you want to, and see what happens to them over a 30 year period. There is a very important lesson to be learned for anyone who wants to become a knowledgeable investor. I think it's very important to know not so much about the individual company's fluctuations but rather about general fluctuations in the past of all kinds of investments in order to have some basis for making judgments about the future. And if you say, as people have said, that the past is no longer relevant, the thing they forgot was that if the past is not relevant, what is? What do we know? If you cannot base your investment policy on the past, I think you have no basis for it at all.

Student: Do you think disclosure is adequate?

Graham: That is a very important question. From one point of view disclosure is excessive. If you take a new

Tele-lecture wth Benjamin Graham, Security Analyst, and Principles of Investment class Northeast Missouri State Universit, March 2, 1972

offering put out under SEC rules, and the offering circular has 100 pages crammed with important and extremely unimportant disclosure, the effect of that makes me ill, because by the time anybody reads the first 10 pages the issue would have been sold out. Nobody reads the prospectus in full, and the important information is buried and it takes an expert to ferret it out. Now an expert can do that, and that should be one of the jobs of a security analyst. Security analysts are so busy doing other things that they don't devote time to the hard work of disclosure such as quarterly and annual reports. I think the SEC has done a good job in its requirements for quarterly, annual and 10K reports, and the main difficulty seems to be that the analysts do not follow them up, or don't seem to pay much attention to them. The problem, all in all, is not related to disclosure. The problem is related to the question of whether the public can be protected against itself by emphasizing the absurdity of the price level for second- and third-grade stocks which have had enormous advances in price, with very little value behind them in many cases. I don't know if there is any solution. I don't know how gamblers, people who call themselves investors but who are really speculators, can be protected against the combination of greed and folly. That is my favorite three-word phrase, 'greed and folly.' The SEC is just beginning some hearings to see whether the method of offering new securities could be changed somewhat. I suppose they would have to say in big red letter words, THIS STOCK IS NOT WORTH WHAT IT IS SELLING FOR. I don't know if that would make any difference either. They have the ability to sell the stock and somebody says, "What the hell, it is going up anyway."

Teacher: Well, Mr. Graham, we certainly appreciate your talking with us, since we think we have a very unique program.

Graham: It impressed me and that is why I took part in it. Good luck to you in the program.

End

Professor Pat Ellebracht received his BBA and MBA from Texas Technological University in management. While at Texas Tech, he was a member of Delta Sigma Pi - a professional business administration fraternity and Sigma Iota Epsilon - an honorary management fraternity. While on the faculty of Arkansas State University, Professor Ellebracht was initiated into Pi Gamma Mu - an honorary social science fraternity. In 1974, while teaching at Northeast Missouri State University, Professor Ellebracht received honorable mention from the Kazanjian Foundation - Joint Council of Economic Education for the tele-lecture concept as a teaching tool. Professor Ellebracht has written several articles on teleconferencing and is currently submitting tele-lecture material created at NMSU to the Museum of American Financial History for research and publication.

FRIENDS AUCTION #42

MAIL BID ONLY

Deadline For Receipt Of Bids:
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1 **CHESTER TRACTION** (PA) 1894. **5 shs.** #3. "Electric Railway" trolley car. Issued to and signed twice by William Wilson as president of Chester Traction. POC. ($35-Up)

2 **TRI-UTILITIES** (DE) 1929. **$1000 bond,** Cb, or. Electric tower flanked by gas tanks and a dam. HBN. ($30-Up)

3 **ATLANTIC CITY & SHORE RR** (NJ) 1907. **100 shs**, gr. Electric trolley flanked by beach and pier scenes. Interesting and unusual vignettes. SBN. **(Photo)** ($75-Up)
Light rubber stamp cancellation barely affecting central vignette.

4 **NATIONAL RUBBER** (DE) 1919. **55 shs**, or borders, rusty colored embossed seal. Factory. Rubber stamp signatures of president and treasurer of National Rubber. ($20-Up)

5 **CHOCTAW, OKLAHOMA & GULF RR** 1900. **$1000 bond,** bluish purple. 5% Gold Car Trust Loan. Series A. Men unloading cargo from freight cars at a covered station, top left. Cotton boll at bottom center. ABN. POC. ($65-Up)

6 **COOPERSTOWN & CHARLOTTE VALLEY RR** (NY) 1896. **One share**, go-br underprint and embossed seal. #33. Woman with starred tiara at top left. Eagle's head at bottom center. ($40-Up)

7 **PAN-AMERICAN DEVELOPMENT** (CA) 1913. *San Francisco.* **7 shs.** Typeset. PH. ($25-Up)

8 **CHOCTAW, OKLAHOMA & GULF RR** (PA) 1898. **5 shs**, gr. Train passing a factory. FBN. POC. ($30-Up)
Rubber cancel stamped on edge of vignette.

9 **HUMBOLDT EXPLORATION** (AZ) 1910. **92 shs.** Portrait of A. Von Humboldt. ($25-Up)

10 **AMERICAN TELEPHONE & TELEGRAPH** (NY) 1955. **100 shs**, br. Telephone lines circling the Earth. Facsimile corporate signatures of president and treasurer. ABN. ($10-Up)

11 **COLLINS RADIO** (IA) 1968. **100 shs**, bl. Mercury holding cadaceus flanked by globes. Facsimile corporate signatures of officers. ABN. ($20-Up)

12 **PITTSBURGH & LAKE ERIE RR** 1946. **100 shs**, gr. Panoramic view of "The Triangle" in Pittsburgh. Train. Sailship. Continental Banknote. POC. ($20-Up)

13 **EVERETT KNITTING WORKS** (NH) 1887. **10 shs** ($500), or seal at top left. #2. Ram's head. Trimmed to border at right. Issued to and signed by George A. Leighton as president of the company. ($25-Up)

14 **TECOPA CONSOLIDATED MINING** (SD) 1932. **500 shs**, or. Portrait of "Chief Tecopa". Union Lith. **(Photo)** ($20-Up)

15 **BULL FROG CHIEF MINING** (AZ) 1907. **1000 shs**, go embossed corporate seal and underprint. Miners in a circle at left side. Miners at work, top left. ($25-Up)

16 **OHIO-TONOPAH MINING** (AZ) 1905. **1000 shs**, or. Bison. Light paper clip rust stain at top left, else very fine. ($25-Up)

17 **NATIONAL MATCH** 1901. **100 shs**, bl. Voting Trust Certificate. Profile of maiden at upper left. ABN. ($20-Up)

18 **TOMBSTONE CONSOLIDATED MINES** (AZ) 1909. **200 shs**, br, go embossed corporate seal. Photographic vignette featuring miners against a factory in the background. ($25-Up)

19 **LEHIGH COAL & NAVIGATION** (PA) 1928. **40 shs.** Printed gr denomination. State Seal at bottom center. ABN. POC. ($25-Up)

20 **CLEVELAND & PITTSBURGH RR** 1854. **10 shs**, on bl-gy paper. Dividend Scrip. Ornate left border. ($40-Up)

21 **AMERICAN SAFETY DEVICE** (NY) 1914. **3 shs**, gr. Building under constructions. Brick workers at bottom center. ($30-Up)

22 **LEETONIA STORE** (OH) 1891. **5 shs**, all br. State seal flanked by a woman representing Agriculture and Commerce. WBN. ($25-Up)

23 **CALLA CUT FLOWER** (OH) 1905. **3 shs.** #4. Unusual vignette of a nude woman riding a winged wheel. ($20-Up)

24 **REVERE COPPER & BRASS** (MD) 1967. **One share**, rd. Seated topless woman with caduceus and globe, factories in distance. ABN. ($10-Up)

25 **AMERICAN COAL OF ALLEGANY COUNTY** (MD) 1869. **50 shs.** Train, ship in the distance. Light glue stains at left. Rubber stamp cancelled. ($50-Up)

26 **NEW YORK ENAMELLING & OPAQUEING** (NY) 1871. **250 shs.** State seal. Jordan, Comes and Seymour imprint. ($75-Up)

27 **CAPE HOUSE ASSOCIATION** (NJ) 1876. *Cape May Point.* **One share.** State seal in a circle flanked by ship and farm scene. ($30-Up)

28 **CORTLANDT WATER** (NY) 1910. **$1000.** #7. 5% First Mortgage Gold Bond, gr. Reservoir. Rubber stamp cancelled on vignette. ABN Lith. COC. ($20-Up)

29 **COOPERSTOWN & SUSQUEHANNA VALLEY RR** (NY) 1939. **2 shs.** Train passing through town. Weed, Parsons & Co., Albany, NY, imprint. ($25-Up)

30 **CITY OF PHILADELPHIA LOAN** (PA) 1864. **$800.** Handsome bond featuring ten lovely vignettes which include Independence Hall, wharf scene, train, Washington, Penn, Franklin, etc. Few marginal edge tears. ABN. COC. ($20-Up)

31 **DAVIS-DALY COPPER** (ME) 1923. **100 shs**, rd. Eagle flanked by miners working underground. JAL. ($25-Up)

32 **NEW YORK CABLE RWY** (NY) 1884. **$1000.** First Mortgage Coupon Bond (Cs, Cu), rd "1000". Unusual format. ($45-Up)

33 **BALTIMORE & OHIO RR** 1899. **10 shs** (printed denomination), or. Preferred Stock Trust Certificate. Train in a circle at top left. IBC. British IR(2). POC. ($30-Up)

34 **BALTIMORE & OHIO RR** 1899. **100 shs**, br. Common Stock Trust Certificate. Columbia fronting Capitol in the distance, top left. IBC. POC. ($30-Up)

35 **BALTIMORE & OHIO RR** 1900. **10 shs** (printed denomination), bl. Similar to preceding lot. British IR. IBC. POC. ($30-Up)

36 **SUBMARINE SIGNAL** (ME) 1907. **100 shs**, br. Ocean steamer in high seas. ABN. **(Photo)** ($45-Up)

37 **WALTHAM WATCH** (MA) 1930. **3 shs**, gr. 6% Preferred Stock. Eagle on top of early watch. ABN. **(Photo)** ($35-Up)

38 **CHICAGO, AURORA & ELGIN** (DE) 1922. **$1000.** Debenture 50-Year Gold Bond, Cb, or. Due 1972. Two trains at busy station. FLB. ($35-Up)

39 **OLD COLONY STEAMBOAT** (MA) 1880. **20 shs.** Steamboat. Rubber stamp cancelled. Whittemore & Co., Boston, imprint. ($50-Up)

40 **PACIFIC DEVELOPMENT** (NY) 1921. **100 shs**, br. Sailships. ABN. ($30-Up)

41 **STUDEBAKER** (NJ) 1935. **100 shs**, rd. First Studebaker Shop, "John Studebaker - Blacksmith". ABN. ($75-Up)

42 **ATCHISON, TOPEKA & SANTA FE RWY** (KS) 1895. **$1000.** 4% 100-Year Gold Coupon Bond, Cb, gr. Attractive bond featuring title flanked by scenes of men unloading cargo from freight cars at covered station and train crossing bridge on either side. ABN. ($60-Up)

43 **AMERICAN & BRITISH TIMBER & COTTON LAND** 1851. **$1000 bond**, Cu. Few scattered browning else in very nice condition. ($60-Up)
This bond is secured by One Million and Forty Two Thousand Acres of Land in the State of Georgia.

44 **MILLER GOLD MINING** (NY) 1881. **50 shs**, go-br. Miners at bottom left. ABN. ($45-Up)
Mine was located at Cold Mountain District, Esmeralda County, Nevada.

45 **SKOUHEAGAN BRIDGE** 1848. **37 shs**, on tan laid paper, with paper covered wax seal intact. Minor foxing and marginal fold splits, otherwise an uncommon early certificate. ($60-Up)

46 **PEOPLE'S TELEGRAPH** (KY) 1852. **$1000.** Handwritten Promissory Note. Waterstained and endorsements that bleed through from the back. ($25-Up)

47 **BRADFORD MILLS** (PA) 1886. **100 shs**, rd embossed corporate seal. #13. Factory. A flock of sheep resting at left. ($25-Up)

48 **FORT PITT TRACTION** (PA) 1895. **500 shs** (printed denom), rd-or. Electric trolley car. ABN. **(Photo)** ($45-Up)
Attractive and unusual.

49 **EDISON PORTLAND CEMENT** (NJ). **5 shs**, br. Portrait of the inventor. Written out to Thomas A. Edison, but voided; crossed out by thin red ink. ABN. U. POC. **(Photo)** ($100-Up)

50 **LEHIGH VALLEY RR** 1914. **20 shs**, pr. Small train vignette flanked by two allegorical maidens. Two POC's on lovely vignette. ABN. ($30-Up)

51 ATCHISON, TOPEKA & SANTA FE 1889. **$5000.** 4% Registered Bond, br bl "5000". Train passing river, sailboat and factory in the distance. HLB. POC. **(Photo)** ($50-Up)
Issued to The President and Fellows of Harvard College.

52 GOLD PLACER MINING 1880. **100 shs**, tan. Miner hosing a mining site. Scattered browning and some small edge pieces missing. ($10-Up)

53 NATIONAL MARINE BANK OF BALTIMORE (MD) 1924. **1/3 shs.** Ocean steamer at top right. Some tiny POC's, with a few partially touching vignette. ($20-Up)

54 CONTINENTAL TRUST (MD) 1901. **50 shs**, bl. Revolutionary soldier at left. ABN. POC. ($20-Up)

55 AMERICAN SAND PAPER 1869. **500 shs** (at $100 per share). Nice and early. ($25-Up)

56 OTTAQUECHEE WOOLEN 1906. **10 shs.** #91. Ornate borders at left. Issued to and signed by Horace Pease as president of the company. ($15-Up)

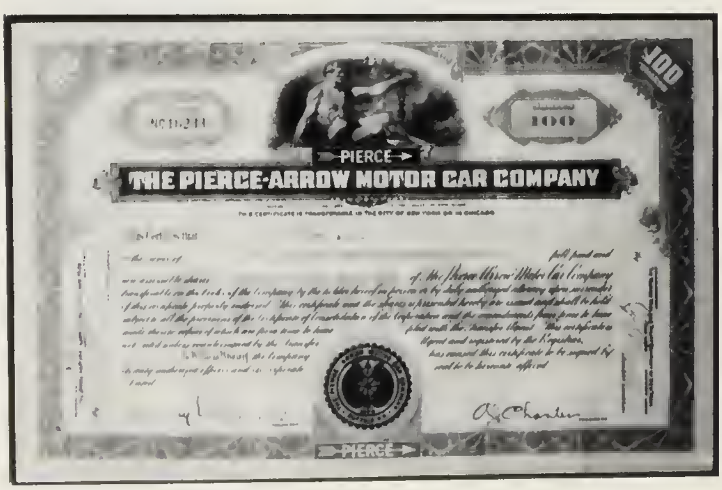
57 AELUS WING (NJ) 1950. **10 shs**, go-gr underprint and embossed corporate seal at bottom center. Eagle, city in distance. ($25-Up)

58 OWL OIL (CO) 1918. **1000 shs**, gr. Oil field. Owls. Oil geyser on each side border. ($25-Up)

59 MAINE CENTRAL RR 1894. **One share.** Train at busy station. ABN. POC. ($40-Up)

60 IRVING TRUST (NY) 1929. **One share**, gr. Allegorical lady flanked by ships. ABN. POC. ($20-Up)

61 FRANKLIN FIRE INSURANCE OF PHILADELPHIA (PA) 1937. **100 shs**, br. Portrait of Benjamin Franklin. ABN. POC. ($20-Up)



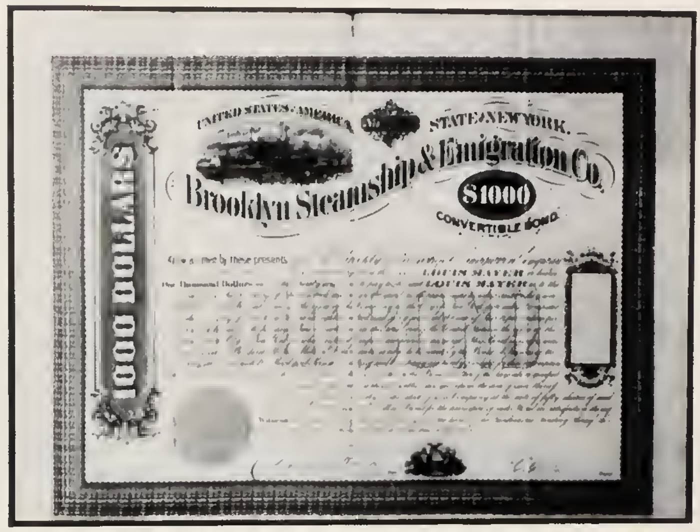
62 PIERCE-ARROW MOTOR CAR (NY) 1935. **100 shs**, or. Man of applied arts. Company logo, bottom center. In superb condition. ABN. **(Photo)** ($200-Up)

63 WASHINGTON, BALTIMORE & ANNAPOLIS ELECTRIC RR (MD) 1917. **1000 shs**, pr. Fascinating vignette of a winged lady holding pictures of Capitol & electric car. NYB. ($25-Up)

64 BOYS TOWN (NE) 1952. bl central underprint. Certificate of Appointment conferring the title of "Honorary Citizen" to one G. W. Westerberg; features boys playing. ($15-Up)

65 MAXIM MUNITIONS (DE) 1918. **100 shs**, br. Ornate certificate. ($50-Up)

66 SUN INSURANCE (LONDON) 1898. **£600.** Insurance policy, partly printed and fully filled, featuring an unusual vignette of the "Sun Fire Office" emblem and the face of the Sun supported by two firemen. British imprinted revenue. ($25-Up)



67 BROOKLYN STEAMSHIP & EMIGRATION (NY) 1867. **$1000**, Cu, br "GOLD BOND", gr embossed corporate seal. Busy harbor scene. Marginal central fold split at top edge. Pickford & Co. imprint. **(Photo)** ($75-Up)

68 PHILADELPHIA TRACTION (PA) 1906. **5 shs**, bl-pr. Electric street car, horse and carriage. ABN. POC. ($25-Up)

69 BROOKLYN - MANHATTAN TRANSIT (NY) 1926. **100 shs**, pr. Woman and globe. A lovely Voting Trust Certificate. ABN. POC. ($30-Up)

70 INTERBOROUGH-METROPOLITAN (NY) 1923. **$1000.** CD for 4-1/2% Gold Bonds deposited under the Plan of Readjustment of Interborough Rapid Transit and Manhattan Rwy. ($15-Up)

71 BROOKLYN-MANHATTAN TRANSIT (NY) 1941. **100 shs**, br. Man and woman with electrical symbols. Quayle & Son imprint. ($25-Up)

72 INTERBOROUGH CONSOLIDATED (NY) 1917. **5 shs**, bl. Winged lady, with light and winged wheel. ABN. ($25-Up)

73 PABST BREWING (WI) 19__. *Milwaukee*. **Shares**, gr. Aerial view of brewery. U. ($25-Up)

74 SUNNY BROOK DISTILLERY (KY) 1904. **Warehouse bond**, gr. Ornate warehouse receipt of "Five Barrels Sunny Brook Pure Rye Whiskey". ($15-Up)

75 AUTOMAT COMPANY OF NEW ENGLAND (ME) 1915. **$500 bond**, Cb, or. Eagle. "First Mortgage Gold Bond". SBN. ($20-Up)

76 FRANKFORD & SOUTHWARK PASSENGER RR (PA) 1908. *Philadelphia City*. **100 shs**, br. #21. Winged lsdy on wheel of train. NYB. POC. ($30-Up)
Interesting and unusual.

77 HUDSON & MANHATTAN RR (NY-NJ). **$1000.** 5% First Lien & Refunding Mortgage (Registered) Bond, Series A, gr. Cross-sectional view of subway train flanked by tracks and harbor view. RBN. U. ($25-Up)

78 **MANHATTAN RWY** 1939. **10 shs** (printed denom), bl. NYC arms featuring eagle flanked by Indian and Pilgrim. Dog at bottom center. ABN. ($20-Up)
Light rubber stamp cancel on vignette.

79 **SIXTH AVENUE RR** (NY) 1925. **One share,** all br, light bl-gr underprint. Passengers loading unto "Central Park" horse-drawn rail car. Styles & Cash imprint. ($30-Up)

80 **TOWNSHIP OF NORTH BERGEN** (NJ) 1941. **$1000.** 3-3/4% General Refunding Bond, Cb, bl. Seal of County of Hudson. SBN. POC. ($20-Up)

81 **WHITE STAR PLASTER** (NV) 1921. **$1000.** First Mortgage 8% Serial Gold Bond, Cb, or. Eagle. ($20-Up)

82 **SUPERIOR ELEVATOR** (NY) 1925. **$1000 bond,** Cb, br. First Mortgage 20-Year 6-1/2% Sinking Fund Gold Loan. Portrait of a woman. ABN. ($20-Up)

83 **FINANCE CORPORATION OF NEW ENGLAND** (MA) 1927. **$575.** 20-Year 5% Gold Debenture Bond, Cs, or. Eagle. Few marginal edge tears at folds. ($20-Up)

84 **BOOK-CADILLAC PROPERTIES** (MI) 1932. **$100.** Prior Income Gold Bond, br. Eagle. WBN. ($20-Up)

85 **GOLDEN STATE ORCHARDS** (CA) 1924. **$1000.** First Mortgage 7% Serial Gold Bond, Cb, br. #8. Some red typewritten notations on text. Uncommon. ($20-Up)

86 **CITY OF NEW BRITAIN** (CT) 1913. **$1000.** School Bond, Cb (no coupons), bl. Eagle. JAL. ($20-Up)

87 **JOHN B. STETSON** (PA) 1928. **8 shs,** bl. Portrait of founder. Emblem of ''American Manufacture'' at bottom center. ABN. POC. ($20-Up)

88 **H.J. HEINZ** (PA) 1970. **100 shs,** gr. Seated allegorical figures flanked by farm scenes. SCB. ($20-Up)

89 **GREATER PYTHIAN TEMPLE ASSOCIATION OF NEW YORK** (NY) 1925. **$50.** 20-Year Gold Bond, bl. Association emblem. ($15-Up)

90 **GOLDMAN SACHS TRADING** (DE) 1929. **One share,** or. Allegorical male flanked by factories. ABN. ($25-Up)

91 **ALASKA GOLD SYNDICATE** (AZ) 1898. **100 shs,** br. Miner hosing mining site. HLB. ($35-Up)

92 **BULLFROG CHARTER MINING & MILLING** (AZ) 1907. **200 shs,** go-br. Miners working underground. ($30-Up)

93 **EMPIRE MINING & MILLING** (ME) 1882. *Portland.* **50 shs.** Lion's face. Hobbs & Co. imprint. ($50-Up)
Mine location at Tombstone, Arizona.

94 **AMERICAN TYPE-BAR MACHINE** (NY) 1899. **10 shs,** or. Eagle on rock at left. FBN. Revenue stamps affixed. ($30-Up)

95 **AMERICAN DE FOREST WIRELESS TELEGRAPH** (ME) 1909. **100 shs,** br. Early ocean steamer in the high seas. Handsomely engraved by NYB. **P.** ($70-Up)

96 **ANSONIA CLOCK** (CT) 1930. **100 shs,** br. State seal. ABN Lith. ($25-Up)

97 **UNITED ARTISTS THEATER CIRCUIT** (MD) 1944. **100 shs,** bl. Lovely allegorical vignette. ABN. Issued to the Pickford Corporation. **(Photo)** ($30-Up)

98 **GALLAUDET AIRCRAFT** (NY) 1923. **10 shs,** br. Ornate. ABN. ($30-Up)

99 **TUCKER CORPORATION** (DE) 1948. **100 shs,** br. Ornate Temporary Certificate. ABN. Facsimile signature of Prestone Tucker as president. In excellent condition. ($150-Up)

100 **EL TROVADOR MINING** (AZ) 1905. **350 shs,** gy, gr, go embossed corporate seal. Allegorical female presents ore and pick. Adams & Grace imprint. ($25-Up)

101 **CHICAGO & EASTERN ILLINOIS RR** 1901. **100 shs,** br. Locomotive at top left and bottom center. FBN. POC. Issued to Marshall Field, but unsigned. **P.** ($40-Up)

102 **ELGIN NATIONAL WATCH** 1923. **2 shs,** gr. Company trademark. Eagle with clock at bottom center. WBN. ($25-Up)

103 **ELECTRIC PLASTER** (NY) 1882. **1000 shs.** Woman holding torch seated on eagle. Hatch Lith. imprint. ($30-Up)

104 **COLT'S MANUFACTURING** (CT) 1953. **20 shs,** br, printed seal featuring rifles and pistols. Horse on hind legs biting arrow. ABN. POC. ($30-Up)

105 **CAMDEN & PHILADELPHIA STEAM BOAT FERRY** (NJ-PA) 1873. **One share.** Ferry boat & train, left. Cattle resting & farm scene, right. Symbol of Prosperity through Commerce, bottom center. Light glue stains in left border. POC. ($60-Up)

106 **AMERICAN AUSTIN CAR** (DE) 1929. **10 shs,** ye-or. Ornate Temporary Certificate. ABN. ($40-Up)

107 **MOGUL MINING** (DE) 1917. **100 shs,** bl. ABN. ($25-Up)

108 **GOLDEN TREASURE** (AZ) 1904. **7500 shs,** gy, ye-or underprint. Eagle fronting Capitol and a Fort in the distance. ($20-Up)

109 **ALAMO ELECTRIC POWER & MILLING** (AZ) 1904. **300 shs,** bl-gr. Factory. NYB. ($25-Up)

110 **MERCHANTS MUTUAL INSURANCE OF NEW ORLEANS** (LA) 1868. **$120.** Handsomely engraved certificate featuring the Louisiana State seal flanked by sailship and farm scene. Sailor at bottom center. ($30-Up)

111 **BEAVER OILS** (CANADA) 1915. **100 shs,** gy, go embossed corporate seal and underprint. Red beaver superimposed on oil field central vignette. ($25-Up)

112 **AMERICAN TOBACCO** (NJ) 1961. **40 shs,** gr. Indian chief in a circle fronting a tobacco field. ABN. POC. ($15-Up)

113 **LIONEL CORPORATION** (NY) 1968. **60 shs,** pr-bl. Kid playing with toy trains. SBN. ($25-Up)

***** END OF SALE *****

FRIENDS MAIL BID SALE #41

Prices Realized

1	-	$20	7	-	$10	13	-	$30	19	-	$15	26	-	$40	35	-	$50	40	-	$60	46	-	$50
2	-	$40	8	*	$30	15	-	$35	21	-	$15	27	-	$20	36	-	$25	41	-	$60	47	-	$20
3	-	$25	9	-	$35	16	-	$350	22	-	$35	32	-	$130	37	-	$20	42	-	$60	48	-	$40
4	-	$51	11	-	$25	17	-	$40	23	-	$25	33	-	$25	38	-	$30	44	-	$20	50	-	$50
6	-	$15	12	-	$40	18	-	$15	25	-	$30	34	-	$25	39	-	$75	45	-	$20			

**************************** TERMS OF SALE ******************************

1. All items in this catalogue are guaranteed. If any substantial defect, not described in the catalogue, is found by a purchaser who was unable to examine the lots prior to the sale, the material in question may be returned within three days of receipt.

2. Estimates of value, printed after each lot, are only approximations, and the price realized may be lower or higher. All certificates are issued,VF, unless clearly described otherwise.

3. Please bid early. Bids are always used competitively; bids will be executed at the lowest possible price. We never disclose high bids, but will give an indication of the level of bids. Bidders unknown to us are required to send a 25% deposit or suitable references.

4. All bids must be received before the published deadline. We will accept telephone bids at (212) 943-1880. Prices realized will be published in the next issue of *Friends*. If you can type your bid sheet, we will appreciate it.

5. The auctioneer reserves the right to withdraw lots at any time prior to sale.

6. A commission at the rate of 10% of the hammer price of each lot sold is payable by the buyer to R. M. Smythe & Co., Inc.

7. Unless exempt, the purchaser will be required to pay appropriate sales tax.

8. Lots must be paid for within ten days after sale. Late payments will be subject to charges at 1.5% per month.

PRINTERS & ENGRAVERS:
ABN – American Bank Note
BA – British American Banknote Co.
BW – Bradbury Wilkinson & Co.
CBN – Columbian Bank Note
CON – Continental Bank Note Co.
DTL – Draper, Toppan, Longacre & Co.
DW – Danforth, Wright, Co.
DWC – Draper, Welsh & Co.
EAW – E. A. Wright Banknote
FBN – Franklin Bank Note Co.
FLB – Franklin-Lee Bank Note Co.
HBN – Hamilton Bank Note
HLB – Homer Lee Banknote
IBN – International Bank Note
JAL – John A. Lowell, Banknote
NBN – National Bank Note Co.
NYB – New York Bank Note Co.
RWH – Rawdon, Wright & Hatch
SBN – Security Bank Note Company
SCB – Security Columbian Banknote
TCC – Toppan, Carpenter, Casilear
UBSH – Underwood, Bald, Spencer & Hufty
WBN – Western Bank Note & Engraving
WEC – Walker, Evans & Cogswell
WS – Waterlow & Sons Limited
WSW – Wellstood, Hay & Whiting

CODES:
Cb —Coupons, bonded with the certificate
Cs —Coupons, at the side: Cu—Underneath
U —Unissued (all certificates are issued, common stock, unless specified)
P —Preferred stock. CD—Cert. of Deposit
POC—Pouch Out Cancellation
STATES: Two letter postal codes

CATALOGUES: Anderson, (Price of Liberty), 1983; Criswell-Confederate Bonds, 1980; Drumm/Henseler; Chinese. 1976; Russian Railways, 1979; Russian Cities, 1981; Austrian Trams, 1982; Turkish 1983; Chinese, Kuhlmann, 1983.

COLORS:

ye –	Yellow	bl –	Blue	or –	Orange
br –	Brown	ol –	Olive	go –	Gold
gr –	Green	rd –	Red	ma –	Maroon

A WORD ABOUT BIDDING

You may bid by MAIL, PHONE, or FAX, on any lot in this sale. Bids for this mail bid only sale must be in our hands no later than 12:00 Noon, Thursday, April 25, 1991. All phoned in bid sheets and FAX bid sheets must be confirmed in writing with a signature. We would greatly appreciate a typed bid sheet if you use a FAX.

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vidual and institutional - are doing more than just comp laining. They are taking a walk.

Individuals, when they aren't sitting on their hands, are fleeing in droves to professionally managed accounts - stock mutual funds and other vehicles. Institutions are talking about increasing trading directly with other institutions. Major corporations are bringing some investment banking activities in-house.

That's called "cutting out the intermediary."

"Cutting out the intermediary" isn't exactly a catchy slogan for the '90s.

Getting The Customer To Do Some Rethinking

Not all the reassessing that's needed is yours. Our institutional, corporate and individual clients have a major task of rethinking their agendas, too - as do my upcoming employer, the NYSE, and the other self-regulatory organizations that maintain the marketplace.

In the rush to decentralize decision-making in large institutions, perhaps too little top management attention has been directed toward the ultimate impact of the drive to achieve short-term profits at the expense of viable market mechanisms.

Too often, the cost of brokerage is confused with the total cost of execution.

Enlightened manufacturers and retailers learned long ago that destroying suppliers or denying well-performing intermediaries an adequate economic incentive was soon counterproductive.

"Re-examine the impact of tactics used to effect short-term advantages."

There's too little attention paid to the shape and function of markets relied on in the past and needed for the future.

In the final analysis, managers of major aggregates of capital must determine whether their increasing demands for liquidity are better supplied by buyers and sellers converging in an open marketplace or the adversarial capital often unevenly available in a pure dealer system.

Top corporate managers may want to re-examine the impact of tactics being used to effect short-term advantage for pension assets set aside to meet long-term liabilities.

We all might want to re-evaluate the "debatable claim," as Robert Kuttner of the New Republic wrote recently in Business Week, "that any new instruments that financial markets invent are by definition virtuous;" that financial markets are best left alone; that the presumed equilibrium of "perfect markets" overrides the complexity and turmoil of real world markets.

Indeed, Kuttner suggests: "From this has flowed the over-leveraging of America, the hostile takeover orgy, the savings and loan meltdown, the obsession of U.S. managers with the short term and the view that corporations are nothing more than ephemeral bundles of assets to be manipulated by rational investors."

I don't come today with a lot of answers. But it's worth questioning, at least, the spreading capitulation to the concept that when you're running big money, you can't beat the market - or more appropriately, that client investment objectives can only be achieved by matching the random performance of an unmanaged index. I can think of no viable industry that would acquiesce to such a standard of mediocrity.

And consider the performance of many of the so-called pros. Should the individual investor be quite so timid about trying to compete with them? To quote former Magellan Fund wizard Peter Lynch: "Dumb money is only dumb when it listens to the smart money."

While we're asking these questions, let's pause at least briefly to examine the race to invent exotic new products and apply resulting strategies. What I wonder is whether we've really assessed the risk of all these products and untested concepts. Does anybody really understand the risk? Does anybody really understand who's standing behind some of these instruments? To coin a bit of political jargon: "Are we better off because of them?"

Whatever happened to the idea that successful investing ultimately is a function of some pretty basic fundamentals? If you identify and buy growing earning power, over the long haul your investment increases in value. Obviously, some of the strategies and derivatives have enhanced certain risk-containment efforts. What must be questioned is for what gain, for what subset of investors; at what expense to the viability, liquidity and stability of the underlying markets and capital-raising mechanisms.

What Kind Of Market?

There is another set of questions to ask ourselves. It has to do with what kind of markets we want.

It is a paradox that as other world markets seek to emulate our success in creating enormous liquidity by bringing all the interests together, we in the United States may be moving in the opposite direction, towards fractionalization.

What kind of market will continue to keep American business competitive in the world?

Is it a two-tier market, one that's highly efficient for the biggest investors, and another that meets the needs of only the smallest ones?

Is it trading away from the sunshine of the central market for the darkness and anonymity of less regulated arenas?

Do we view technology as the inevitable last word? Or do we make it an enabler, a key ingredient in how we build capability and compete, enhancing the quality of our market without displacing valuable professional judgement? Does cheap equate with good?

There's a tremendous amount of misunderstanding out there about how an auction market works.

In looking at where we're going, we shouldn't forget whence we came. We learned a long time ago that diversity of interests meeting in a public setting produces the most liquidity. We learned that a quality market encourages participation. That means an honest market, conducted openly at every level.

"Diversity of players redounds to the benefit of all."

If that is still true today, then this incoming chairman, and all of you, have a task of leading customer and constituent opinion towards that conclusion.

Individuals must be convinced that when they come into a market - whether it is a customer-driven or a dealer-driven market, and both have a substantial role to play - what they see is what they get.

The NYSE has gained its position in the world by making certain that the smallest and the largest participant have parity at the point of sale. The diversity of the players redounds to the benefit of all.

I'm certainly not approaching January 1st convinced that the NYSE doesn't need the same sort of "re-look" I'm suggesting for all of you. We can make our auction market better. I want to assure you that we will leave no stones unturned in that effort.

That means more capital, tight enforcement of rules that ensure visibility and fairness, continued employment of state-of-the-art technology to assist trading floor professionals and shape competitive advantage, and continued expansion of efforts to compete on the world stage. The NYSE's clients should be able to access the increasingly global market for multinational companies and to do so around the clock if necessary.

If we don't reach out to accommodate the needs of all the market participants - large and small, short-term and long-term, active and passive - we will wind up with multiple marketplaces and we will have really lost something.

At the same time, if we don't balance those interests, put some limits on how much we allow one interest or one trading practice to affect the stability of the market, we will have a professionals' market by default - because the other participants will have departed.

Secondary markets were not created nor intended as a playground for a certain class of professionals. They were created and have prospered in support of the capital-raising mechanism that allows corporations to attract money, build plants, create jobs and raise living standards. They are a national asset, and you and I are their guardians.

Back To Basics

I am not pessimistic. Quite the contrary. This industry has a bright future. I agree with many experts who see an increase in the national savings rate. More people will have more money to invest in the years just ahead, and the opportunity to do so will be there as it has been for nearly 200 years. Present the right expertise and encouragement, and they will put savings where the return has been the best in the past - into ownership of business.

I'm not in the business of predicting, although I used to get paid for doing it and was glad when people forgot what I'd said. But it appears we have entered a new period in which there will be more opportunity for good analysis and judgment to make a difference. An environment where value-added products and services will stem the current pell-mell rush to delivering commodity services at commodity prices.

In the last decade, returns were high across a broad base of securities market activities. It was hard not to do well. In the '90s, the winners may be a more select list and their clients may be quick to notice and pay for the difference.

I come back to the phrase, "Back to basics."

What is the market all about? It's a savings vehicle for millions of people. It's a source of capital for industry. If we mess the mechanism up, we impair the ability of this country to compete in world markets.

The questions facing us are vital ones. This industry has taken its eye off the customer.

The sunny side of it all is that it's only in bad times that we have the incentive to take the hard look. We certainly learned how little incentive we had in that direction during the '80s.

So now is the time to make a virtue out of necessity. And I hope the NYSE will be a leader in that.

As a World War II American general, newly arrived in battle-weary Britain, told a community gathering:

"I do not intend to do any talking until we have done more fighting, but this much I can say now: I hope when we have gone, you will be glad we came."

I feel the same way myself.

Along with my new partner, Dick Grasso, and our colleagues at the NYSE, I look forward to serving you.

And I also look forward to hearing from you - Directly, and often!

• • • • • • • • • • • • • • • •

[William H. Donaldson became chairman and chief executive officer of the New York Stock Exchange on January 1, 1991. Mr. Donaldson co-founded the international banking firm Donaldson, Lufkin & Jenrette, Inc., served as U.S. Undersecretary of State and White House special counsel, was a founder and dean of Yale University's graduate School of Organization and Management and most recently was chief executive officer of Donaldson Enterprises, Inc., a private investment corporation. He is a director of Aetna Life & Casualty Co,; Honeywell, Inc.; and Philip Morris Companies, Inc.]

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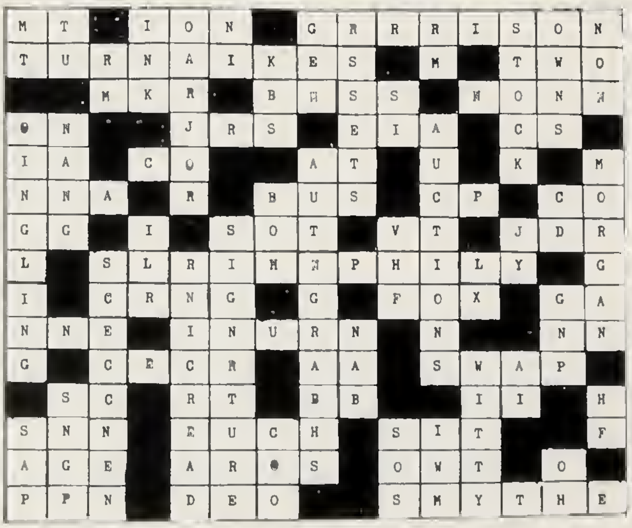

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The **Institute's** 1991 *Directory of Mutual Funds* is now available. In addition to the names, addresses and telephone numbers of over 3000 mutual funds, the directory lists each fund's assets, initial and subsequent investment requirements, fees charged, where to buy shares, and other pertinent details. To order the 1991 *Directory of Mutual Funds*, send a check or money order for $5.00 to: *The Directory*, **The Investment Company Institute**, PO Box 66140, Washington, DC 20035-6140.

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